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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2175

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ROMANIA SEEKS TO EXPAND CEMA MACHINERY, EQUIPMENT TRADE

Bucharest REVISTA ECONOMICA in Romanian No 33, 14 Aug 81 pp 18-19

[Article by Cornel Lazar and Ion Stan]

[Text] The Socialist Republic of Romania, consistently furthering a policy of continuously expanding foreign economic relations, pays special attention to developing trade interchange and economic collaboration and cooperation with all the socialist countries, in the first place with the CEMA countries. Dwelling on the basic guidelines of the 1981-1985 Five-Year Plan, Nicolae Ceausescu pointed out in his address to the Second Congress of Working People's Councils: "The plan provides for further expansion of relations with CEMA countries and, in this context, greater specialization and cooperation in production, for the purpose of increasingly meeting the mutual needs for raw materials, energy sources, supplies, machinery, equipment, and so on."

In the economic relationship with the socialist countries a significant role is assigned to cooperation in the area of the machine building industry which by its input into the continuous upgrading of the means of production, manufacturing of durables, improvement of the technical standard and rise in the efficiency of the social output is a basic branch for economic growth.

The machine building industry in this country -- specifically in the last 15 years -- has experienced very rapid development rates, that are superior to those in the overall industry. On this basis it has increased its input into Romania's industrial production and in 1980 it was 34.3%. The new five-year plan anticipates that by 1985, versus 1980, the industrial output of the machine building and metalworking industry will go up 52.5% and this corresponds to an average annual rate of 8.8%; developing at a rapid rate will be the subbranches of electronics and microelectronics, facilities for automation and control of production processes, machine tools, fine mechanics, optical equipment, hydraulic and pneumatic equipment. The production of the machine building industry will provide 80-85% of the machinery and installations needed for the investment program under the five-year plan and the doubling of exports. The rise in the volume of output and the upgrading of the technical standard of products have resulted and will continue to result in increasingly meeting the domestic needs for machinery and equipment, in creating more favorable conditions for expansion of foreign trade, for broader participation in international specialization and cooperation in production.

Stable Relations, Expanding Trade

Romania's machinery and equipment trade with socialist countries in the last 5 years accounted for about 60% of the volume of our machinery and equipment trade and developed on the basis of conventions for specialization and cooperation in production and long-term trade agreements, and this has lent stability to the relationships with these countries.

During this period, the volume of mutual deliveries of machinery and equipment between Romania and the other member countries of CEMA has been growing, based on the growing potentialities of the machine building industry in this country and in light of the growing needs for machinery and equipment required to implement the investment program. For instance the volume of this trade went up in 1980, versus 1975: with the German Democratic Republic, 2.5 times; with Bulgaria, Czechoslovakia and the Soviet Union (that continued to be Romania's main trade partner), 2.1 times; with Poland, twice and with Hungary, 1.8 times. Because of the more rapid rise in exports, by the end of the prior five-year plan, an approximation was achieved in terms of the volumes of exports and imports of machinery and equipment in the trade with CEMA countries. Moreover, a specific improvement was obtained in terms of the pattern of machinery and equipment exports to these countries, by increasing the deliveries of more advanced products. For instance, there was an increase in the volume of metalworking machine tools and electrotechnical products and additions to export lists included new groups of items in the area of the electronics industry, that were not delivered before or were supplied in very small quantities -- for example, telecommunications equipment, measurement and control apparatus, and electronics items.

A significant factor in increasing the volume of exports involved the participation of Romanian economic and foreign trade organizations in specialization and cooperation in production, on both bilateral and multilateral bases. During the 1976-1980 period, specialization and cooperation in the production of the machine building industries of CEMA countries involved the chief subbranches and groups of machines, such as: metalworking machinery and equipment, equipment for the power industry, plant for oil extraction and processing, vessels and seagoing equipment, tractors and farm machinery, railroad rolling stock, motor vehicles, ball bearings, radio engineering products, electronics and electrical engineering products, and other equipment. The specialization projects were finalized by the conclusion of 85 multilateral conventions.

During this period the Romanian organizations participated in 45 specialization conventions, with our country specializing in terms of more than 1600 type-sizes of equipment out of the almost 5000 included in the conventions involved. During the same period, a large number of bilateral understandings on cooperation and specialization in production were concluded with various CEMA countries.

The more intensive specialization in recent years has been coupled with significantly broader trade in specialized items. For instance, the volume of specialized product exports went up in 1980 by a factor of more than 2.6 compared to the 1975 level.

Greater Involvement in Bilateral and Multilateral Conventions

The years 1979-1980 saw the unfolding of ample projects for extending the life of and broadening the conventions on specialization and cooperation in production concluded for the 1976-1980 period and for working out proposals on specialization for new groups of machines and equipment. CEMA bodies have so far worked out over 100 conventions and Romanian organizations expressed their interest for participating in 80 of them (12 in the electrical engineering industry, 11 in the electronics and computer industry and 57 in other fields of the machine building industry). Romanian economic organizations figure as specialized parties in the production of more than 3700 of the total of more than 9500 type-sizes contained in the 80 conventions.

In light of the ever increasing potentialities of our machine building industry, the Romanian economic organizations figure as specialized parties for a much broader list of products than that under the prior five-year plan, in accordance with the national programs for the development of the machine building industry, with the requirement as to maximizing exports and meeting domestic needs. The main groups of machines that provide a greater input into trade exchanges for the 1981-1985 period involve oilfield equipment (for which Romania is the principal exporter), railroad rolling stock, metalworking machine-tools, tractors and farming machinery.

Moreover, Romanian economic organizations have specialized in turning out a number of new products or products in whose specialization they were not involved during the previous period, such as equipment for nuclear-electrical plants, electric powering units for machine-tools, equipment for the metallurgical, mining and food industries, products of the radio engineering and electronics industries and computer facilities.

Concurrently with greater involvement in multilateral conventions, special emphasis was placed on concluding new bilateral understandings on specialization and cooperation in production, centering on completing projects in areas that had not been covered by multilateral conventions or that had not been handled in CEMA context.

The understandings for bilateral specialization with other CEMA countries focus on a broad list of major products of the machine building industry: ships, electrical engineering equipment, tractors and farm machinery, in relationship with the Soviet Union; optical and fine mechanics equipment, electrical separators and power transformers, and diesel-hydraulic locomotives, in relationship with the German Democratic Republic; machine-tools (heavy turning mills, jig borers), integrated circuits and semiconductor devices, in relationship with Czechoslovakia; lifting and transportation equipment (16-ton cranes), machine-tools, sound boxes, in relationship with Poland; hydraulic units, assemblies and subassemblies for motor vehicles, medical equipment, in relationship with Hungary; trucking facilities (special trucks, tipping trucks, refrigerating vans, motor and electric stackers), machine-tools for general purposes, in relationship with Bulgaria.

Based on the bilateral and multilateral specialization understandings concluded so far and on those under negotiation, it is anticipated that the volume of specialized product exports during the 1981-1985 period will grow by a factor of almost 2.5, versus the level for the 5 prior years. Hence, the volume of specialized product exports under this five-year plan will account for more than 60% of total deliveries

of machinery and equipment agreed upon when the plans were coordinated and under the long-term trade agreements. In some areas (oilfield equipment, railroad rolling stock and ball bearings) the deliveries being made under the conventions for specialization in production exceed this level and will be major factors in attaining the export of machinery and equipment in CEMA countries for the products involved.

Directions of Expanding Specialization, Cooperation

Despite the positive results obtained in comparison with the previous period Romania is still having a small input into total machinery and equipment trade. Even though we are involved in most of the multilateral specialization conventions, the volume, structure and efficiency of this involvement insufficiently reflect the current stage of development in the machine building, electrical engineering and electronics industries, the actual potentialities for participation in specialization and cooperation in production being far greater. Moreover -- as it also followed from the analysis of this activity within CEMA framework -- specialization and cooperation in production on a multilateral basis has so far been a minor factor in meeting the needs for machinery and equipment in short supply, which is imported for hard foreign currency, in increasing the production series, in improving the quality and technical standards of products, in raising the efficiency of production and exports.

At the time of the analysis of the improvements which should be made in the activity of specialization, the Romanian delegations in CEMA organs constantly strove for greater efficiency of this activity. In this connection, the Romanian delegation to the 34th and 35th meetings of the CEMA Session indicated that the countries' efforts must center on specialization and cooperation in the most advanced branches of modern production, in which we are not able now to meet the needs of our economies and on significantly improving the quality and technical standard of specialized products so that these may effectively help to accelerate progress in our countries and enhance participation in international exchanges. Furthermore, emphasis was placed on the need for chiefly focusing the specialization and cooperation efforts on the areas that promote absorption of new technologies, expansion of production series, use of existing production capacities and broadening of exchanges involving specialized products, specifically in key branches and subbranches, for which we still need to use some imports involving hard foreign currency.

Proceeding from the considerations pointed out by the delegations of member countries, the CEMA organs formulated and adopted measures on upgrading this activity which chiefly involves: acceleration of scientific and technical progress, by creation and integration of new technology and enhancement of the technical standards of the products that are delivered on a mutual basis; provision of the necessary amount for CEMA countries and increase in deliveries of specialized products, elimination of unjustified imports of machinery, equipment, subassemblies, parts, supplement products and supplies from third countries; enhancement of the complex character of cooperation, by way of correlating the activity of collaboration throughout the research-design-production-marketing cycle; broadening of specialization and cooperation for the various subassemblies and parts, based on the use of modules and standardized components.

In addition to the general, principled guidelines incorporated into the measures listed above, it was agreed upon that the specific activity of cooperation and specialization during the next period should focus on products that are central to the

national economies at this stage, such as: automatic equipment and systems for controlling technical processes, semiconductor units and special materials characterized by a high degree of purity for the electronics and especially microelectronics industry, systems of machines for complex mechanization of agriculture, systems of machinery and equipment -- including industrial robots -- for mechanization of loading-unloading, transportation and storage, systems of modern machinery and equipment for open-pit ore mining, equipment with economical consumption of fuel, energy, and so forth.

In light of the important tasks allotted the machine building industry in our country under this five-year plan, provisions have been made for further enhancement of the participation of Romanian economic organizations in specialization and cooperation in production in this area with the other CEMA countries. To this end, the Romanian delegations to CEMA work bodies, the international economic organizations created by CEMA countries and the work groups under the intergovernmental joint commission for bilateral cooperation requested that the activity of cooperation focus on resolving priority issues of our economic development, with the aim of broadening trade among CEMA countries, fully utilizing the production capacity, arranging, under cooperation, for the production of new items, especially those in short supply, raising the efficiency of production and the volume of machinery and equipment exports.

While broadening and enhancing cooperation with their counterparts in the other CEMA countries, in all socialist countries, the Romanian economic organizations and enterprises also work to expand international participation and specialization in advanced areas of the production in the machine building industry, to promote, on this basis, mutually advantageous and equitable exchanges of machinery and equipment.

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CSO: 2700

INTERNATIONAL AFFAIRS

BRIEFS

ALBANIAN TRADE WITH SARAJEVO FIRM--The Sarajevo firm "Energoinvest" recently signed an agreement with the Albanian firm "Makinaimport" in Tirana for the export of 521,000 dollars worth of industrial equipment for petro-chemical installations and refineries. In addition, "Energoinvest" is studying an Albanian request for the export of equipment for the extraction and transporting of oil. The Sarajevo firm "Energoinvest" also produces this equipment. [Excerpted] [Ljubljana DELO in Slovenian 5 Aug 81 p 2]

CSO: 2800/347

INCREASES IN MACHINE AUTOMATION SUMMARIZED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 2

[Article by Jan Bauer, Czech Statistical Office: "Increase in the Technical Sophistication of Machinery and Equipment"]

[Text] In accordance with the planned development of our national economy and the need for ever more complex and higher quality information at all levels of managerial agencies, a biannual statistical study of the technical sophistication of machinery and equipment was initiated in 1976. The conducted studies have included energy-generating and working machinery (the third and fourth categories of the JTZP [Unified Capital Asset Classification System]) at centrally managed industrial and construction enterprises. The total value of the machinery studied represented 70 percent of the overall machinery stock in the industrial and construction sectors of the CSR. (In 1976, machinery valued at Kcs 161.1 billion was studied, while machinery valued at Kcs 187.9 billion was studied in 1980.)

The value of the averaging qualitative indicator, "average degree of technical sophistication," increased from 2.8 to 2.9 points in the 4-year period 1976-1980. In view of the stable value for the percentage of mechanized and manually operated machinery (a group which represents almost half the total volume of machinery and equipment being studied), the above period saw a decline in the percentage of partially automated machines (from 43.1 percent of the 1976 total to 41.1 percent in 1980), in conjunction with a simultaneous increase in the percentage of fully automated machines (from 10.7 to 13.7 percent of the total). Machinery with programmable controls experienced a significant increase (including both partially and fully automated machines)--increasing from 4.5 to 8.9 percent of the machinery being studied during the period in question. The development of the technical sophistication of machinery and the equipment is, naturally, progressing unevenly in specific sectors. Several economic factors are at work here, as well as various characteristic influences stemming from differences in production technologies, factors which may even limit the potential level of automation which is attainable. This is especially true of construction. The results achieved here must be evaluated with a view to the prevailing technological conditions and the development potential of a significant part of its machinery base. Construction machinery and equipment, under the methodology of these studies, may in no instance exceed the second level of the classification scale, despite the fact that in many cases its work productivity and technical specifications correspond to world standards.

The following table makes clear the evolution in the numbers of partially and fully automated machinery and equipment as a percentage of the total in critical sectors from 1976-1980:

Sector	Partially automated machinery		Fully automated machinery	
	1976	1980	1976	1980
Fuel Industry	33.2	28.1	9.7	25.1
Energy	81.4	71.0	0.4	7.2
Ferrous metallurgy	40.2	36.9	8.3	8.8
Chemical industry	47.9	45.2	21.7	17.8
Machine building	33.3	35.5	7.7	8.9
Textile industry	52.0	53.7	21.1	25.6
Food industry	29.4	36.1	3.1	2.6
Construction	15.4	19.0	0.3	0.5
CSR total	43.1	41.1	10.7	13.7

The values on this table are given in percentages, with 100 percent representing the total number of machines being studied. A number of organizational changes took place between 1976 and 1980 in the inclusion of enterprises under specific sectors. The most important such shift was that of the Factories CSSP Zaluzi Chemical from the chemical sector to the fuels sector (it was shifted back again in 1981, a change that is not reflected here), a change very evident in the above table in the fully automated machinery columns, because this enterprise is among the most important in the CSR, both in terms of the technical sophistication of its machinery stock and in terms of the value of its output.

In addition to the sectors cited above, one must point to the high degree of technical sophistication achieved in the equipment of the electronics industry (where 16.4 percent of the machinery was fully automated by 1980), the woodworking industry (15.1 percent fully automated), the paper and cellulose industry (32.4 percent fully automated), the glass, ceramics and porcelain industry (18.7 percent fully automated), and the confectionery industry (15.6 percent fully automated). At present, and for various reasons, even an average degree of automation has not yet been achieved in the nonferrous metallurgy sector, the construction materials sector, the printing industry, and in frozen food, medicinal products, and tobacco production.

The sectors which in 1980 had the highest percentage of machinery with programmable controls for the production cycle were the fuel industry (22.6 percent--again due to the shift of the CSSP Chemical Factories), the confectionery industry (16.6 percent), machine building (12.9 percent), and the textile industry (12.5 percent); the overall norm for the CSR amounted to 8.9 percent.

Mechanical machinery (in some cases manually operated or driven) accounts for more than 60 percent of each unit of output in the food industry (61.3 percent in 1980), in frozen food production (63.8 percent), in nonferrous metallurgy (69 percent), in the construction materials industry (69.8 percent), and in construction (80.5 percent).

An increase in the technical sophistication of machinery and equipment in critical sectors has been one of the factors characteristic of the recent years of the Sixth Five-Year Plan. A detailed view shows that this increase has not occurred without certain disproportions and imbalances of development, but a positive trend has been maintained in the application of scientific and technical developments to practical production. The preconditions have thus been created for the further dynamic and highly efficient increase in the overall production of our national economy in the coming years of the Seventh Five-Year Plan.

9276

CSO: 2400/296

IMPLEMENTATION OF CENTRAL HEATING SYSTEMS DISCUSSED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 1, 2

[Article by Eng Ivan Machacek: "Implementation of a Central Heating Program"]

[Text] The Main Trends in the Economic and Social Development of the CSSR for 1981-1985, as approved at the 16th CPCZ Congress, set the objectives of achieving savings in primary energy resources and available labor, while at the same time conserving natural resources through the accelerated implementation of a central heating program based primarily on brown coal.

The most attention must be devoted to the cogeneration of electrical energy and heat, the conversion of several older condensational power plants to heat and power production, the realization of a program to replace enriched fuels, and the improvement of cooperation in sectorial, district, and regional planning, including the pooling of investment resources for resolving the heat-generation problem.

The advantages of central heating and the utilization of the cogeneration of heat and electricity over the production of heat in heating plants or local boilers and of electricity in separate condensational power plants are indisputable:

--greater energy efficiency is achieved, i.e., fuel savings for a given amount of delivered heat;

--it utilizes a lower value fuel, brown coal, of which there are domestic reserves, and reduces the burning of enriched fuels, which are imported;

--it improves environmental quality, a fact which is coming to the forefront as a significant advantage of the cogeneration of heat and electricity, given the growing concentration of population in the larger cities;

--it makes possible significant labor force reductions.

In view of the gradual and prospective introduction of nuclear sources as the fundamental sources of the electrical system, the possibility of using existing condensational electric power plants, after their reconstruction, for heat generating operations to supply areas with heat through long-distance thermal feeder lines is becoming more attractive.

In spite of the fact that fuel consumption for heat generation has represented almost 40 percent of the overall primary energy resource balance, in this country heat has not as yet been the object of accounting and the administration of the supplying of an area with heat has been characterized by fragmentation. The economic advantages of supplying heat from a centralized heat and electricity cogeneration facility have not been exploited. To a large extent, construction has taken place on decentralized, many times provisional and backup, heat sources, without initiating a pooling of the investment resources of many sectors to achieve an economically efficient central heating system which would assure optimal and efficient heat supplies.

A change in the fuel and energy situation has forced a new view of the solution to heat-generation objectives. It is no longer possible to go the route of small heat sources burning higher valued, enriched fuels, and constructed by individual sectors in a given area for themselves. The new situation demands that the heat source be removed from the consumer, that it utilize lower valued brown coal for the cogeneration of heat and electricity, which in the future can be on a nuclear basis.

CSSR Government Resolution No 130/79 established the principles of a long-range energy policy for the sector responsible for the construction and operation of facilities for supplying the national economy and the population with heat. Guidelines for the methodological and conceptual administration of the development of central heating (hereafter CZT) have been approved by CSSR Government Resolution No 384/80. According to these government resolutions, beginning in 1981 the fuel and energy sector will methodically and conceptually direct the development of CZT in the CSSR, without regard for the sectorial membership of operators, investors, and consumers of heat, with the goal of implementing the coordinated development of a heat supply and reaching the requisite technical and economic levels for equipment used to produce and distribute heat.

The development of CZT is designated territorial units (so far these have been units where it is economically possible to build at least one CZT system with public distribution, and a maximum thermal load of more than 25 megawatts) can be realized only on the basis of focused energy projects and developmental heat-generation studies, for which the Federal Ministry of Fuels and Energy and its authorized organizations will issue binding policies, including policies for the efficient centralization of sources without regard to the sectorial membership of either operators or consumers.

The district centers of the CZT concerns of the the Czech Energy Factories and Slovak Energy Enterprises comprise a fundamental element in the system of methodological and conceptual administration of the development of CZT. These district centers provide methodological and consulting assistance to appropriate agencies and national committees for the formulation of proposals of designs for the development of CZT. At the same time, the proposed design for the development of CZT is the responsibility of either the organization which manages the basic central heat source in the existing CZT system, or the organization in the interest of which the development of a CZT system is to be realized, i.e., the national committee in those territorial units where there does not yet exist a CZT unit. National committees organize the pooled capital investment in equipment for the development of a CZT, in accordance with the approved focused energy projects and heat-generation studies, while the administration, operation, and development of heat-generating equipment outside the fuel and energy sector is provided for by the current administrators.

This new approach to influencing the conceptual management of CZT system development, to the pooling of resources for capital investments, to the assurance of the operation and maintenance of heat sources and the heat network is the beginning of a systems approach to the development of the heat-generation industry which will lead to the naming of the fuel and energy sector as the accounting manager for heat, and which will find codification in the heat legislation now being prepared.

Within the framework of the Sixth Five-Year Plan, the fuel and energy sector received, in the area of heat generation, at construction sites of both the ZU (binding task) and CPS (centrally evaluated construction) categories, 1,413 tons per hour of steam, and 2,704 gigajoules per hour of hot water with an electrical output of 131 megawatts. The implementation of the state target program for the rationalization of the consumption and utilization of fuel and energy requires, on the one hand, a gradual conversion of the older condensational power plants to the cogeneration of heat and electricity, and, on the other hand, the implementation of long-distance transfers of heat through long and technologically demanding thermal feeder lines to heat-consumption locations. This will lead to preparation for the implementation of long-distance thermal feeder lines.

The utilization of heat from nuclear power plants will make possible, over the long term, the implementation of a unified long-range energy policy in the area of heat supply.

9276

CSO: 2400/296

RUST PROTECTION OF GAS PIPELINES IN BRIEF

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 2

[Article: "Pipeline Rust Protection"]

[Text] Direct damage attributable to rust each year in our national economy are estimated at Kcs 5 billion. Rust also represents a systematic danger for the pipes of the transit pipeline.

For this reason, antirust teams are at work along its entire route. They have at their disposal more than 2,700 inspection and measurement facilities and about 150 cathode protection stations. At these stations, the teams conduct regular monthly inspections of the condition of the pipes. The activity of the inspection and measurement facilities is verified at 6-month intervals. The overall amount of measurement, however, is much higher, because rust amounts are measured on all parallel running lines of the pipeline. Moreover, it is likewise verified whether other metal structures which cross the pipeline path are being jeopardized by the cathode protection.

Rust caused by so-called stray earth currents is the greatest danger for the long-distance pipeline. Their source is primarily electrified track systems. The current flows from the trackbed to metal structures located in the earth and causes rapidly advancing rust which for the most part concentrates itself on small surfaces. This can eat through unprotected pipe in the relatively short time of several months. For this reason the external insulation of the pipe is carefully inspected. This insulation must be of such quality as to protect the longest possible section of pipeline with the smallest possible output of the cathode protection stations.

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CSO: 2400/296

CONSTRUCTION INDUSTRY PERFORMANCE EVALUATED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 2

[Article by J. F.: "On Evaluating Construction Performance"]

[Text] Just as in other national economic sectors, the improved planned management system assumes that construction will also shift from planning and evaluating performance by means of gross production indicators to a new concept--evaluation through adjusted labor value added. On the basis of these figures, labor productivity calculations will be made and, what is especially important, will form the basis for the calculation of the basic components of wages payable. Adjusted labor value added figures then, without a doubt, are becoming one of the critical indicators both for the establishment of goals and for evaluation of the performance of construction organizations in the coming years.

The Set of Measures for Improving the Planned Management System of the National Economy after 1980, however, states, "Both qualitative and quantitative indicators expressing the relationship of an organization to society are to be given first priority as the starting point for inspection, evaluation and incentive systems for plan fulfillment." There is never to be, in other words, a single peak indicator for evaluating performance, but an adequately established system which will guide organizational and individual activity in the desired direction.

Based on the situation at the end of March, construction enterprises in the East Bohemian Kraj and received for the current year from their supervisory agencies between four and eight binding indicators by which to control and evaluate plan fulfillment. The plan itself contains 121 previously established indicators for the comprehensive evaluation of plan fulfillment, indicators which orient the attention of the enterprises above all to efficiency and frugality in the production process. Most often, individual enterprises are given concrete tasks in terms of assuring a requested level of labor productivity from adjusted labor values added, the achievement of a specific profit volume, or the maintenance of a usable volume of wages payable.

A second large group is represented by indicators of marketing structure. Here the most often assigned objectives relate to the assurance of labor values carried out under supplier contracts for overall capital investment, as well as the assurance of these values on projects with more than Kcs 2 million in budgeted costs, capital investment projects on the territories of the capital cities of Prague and Bratislava, and in the North Bohemian Kras.

For the time being, the supervisory elements are devoting less attention to capital development and technical development in establishing these binding limits for individual enterprises. This year only six tasks of the entire number assigned fell into these two areas, and moreover some of these had not yet been precisely defined at the end of the first quarter.

In principle, individual indicators are divided into three main groups, which emphasize, within the framework of supplier-consumer relations, the necessity for assuring established marketing directions, monitoring the efficiency and frugality of the production process, and seeing to the fulfillment of investment and technical development tasks. It is a question, then, of implementing the basic trends in the future development of construction, which stem from an analysis of its current condition and evolution.

9276

CSO: 2400/296

DIVERSITY OF ELECTRONIC DEVICES FRUSTRATES REPAIR EFFORTS

Budapest MAGYAR HIRLAP in Hungarian 16 Aug 81 p 7

[Article by P. T.: "Trotting After It"]

[Text] Lapped by Electronics--The Fate of 17 Billion

When the layman hears the word computer, a hall appears before his mind's eyes, where ladies with fine hands and gentlemen with smart looks work magic on modern and elegant "whatchamacallits" standing in rows and performing their program-determined tasks while discretely sparkling and clacking. And all this commands such reverence. But who would think of tipping his hat to a machine laying on the edge of a table and looking similar to an old-time typewriter? Perhaps, if the person operating it shows us what such a small tabletop mini-computer is capable of doing. Because it will be discovered then that--on a smaller scale--it can do practically everything its "uncle" can, who fills a whole room.

When It Conks Out

Let nobody think that I wrote the above simply for the reason of generating a good mood. Rather, to illustrate attitudes. The computer (that is, the big one) is a serious thing. It must be cared for. Any possible error it may make--no need even to try to prove it--can be the cause of economic losses. Thus we have to sacrifice to repair and maintain it--and we do sacrifice. (It is a different question that providing this service is also not free of problems--but more about this at some other time.)

But if the small machine conks out, well, so what.... Of course it, too, must be repaired, but whoever would attribute much significance to it if it could not be done. And, on the surface, things seem alright this way, since the larger one deserves more attention. However, while--thanks to the central computer technology development program--the number of machines officially recorded as computers increased significantly, the growth in the number of other modern information technology equipment--now also electronic, but no record of them is being kept--increased even faster. So much so, that the value of these latter is now estimated at 17 billion forints--it has practically reached the value of all machines recorded as computers. Of course, many different things belong in this circle--called information technology equipment, for the lack of a better name--: from typewriters through pocket calculators and automatic bookkeeping machines to the minicomputer, and even beyond that--since the border between

computer technology and information technology is becoming fainter and fainter. But only about 6 to 7 billion of the above mentioned 17 billion is the value placed on the traditional (mechanical and electromechanical) office machines and management technology equipment, while the value of electronic and micro-electronic equipment inventory is 10 to 11 billion.

Smaller, council-managed enterprises, industrial cooperatives and private sector small businesses repair some 10 to 15 percent of this machinery group which is quite heterogeneous in its make-up, but is highly valuable; 4 to 5 percent is repaired by the owners themselves, while the majority of it (roughly 70 percent) is cared for by one single enterprise, the Information Technology Enterprise [ITV] (until recently the Office Machine Technology Enterprise). At the same time, we don't even have anyone now to care for 5 to 10 percent of the machinery park.

There Should Not Be 50 Kinds

The enterprise mentioned above, ITV, began by repairing typewriters and other traditional office machines, but nowadays it is "trotting" after electronics.

"Yes, because we are afraid that technology will put us a lap behind"--says Dr Gyula Toth, the manager of ITV.

"In the past, figuratively speaking, all a mechanic needed was a good screwdriver. But today the mechanic needs diagnostic equipment, and even support machinery. Not to mention the fact that this work also requires a staff of mechanics with more and more training, and also greater mobility--that means repair trucks. We now keep in repair 640 different makes of machines, but this number may be higher tomorrow. Because if someone is traveling abroad and takes a liking to--let's say--a smart little computer, he will buy it for his enterprise even if it costs as much as two passenger cars; because it fits in just a briefcase! Then here at home he expects us to repair it for him when it malfunctions, and wants us to get spare parts for it. Just as an example: today we keep in stock about 90,000 different types of materials and spare parts, and there are some electronic panels valued as high as 70,000 forints."

[P. T.] "Are you thinking of central coordination?"

[Dr Toth] "Yes, so that there would not be 50 different types of machines, originating in the most diverse parts of the world, all doing the same job."

[P. T.] "Would this solve the service problems?"

[Dr Toth] "It would help. But even apart from this, we should catch up to the increasing requirements."

We Cannot Do It on Our Own

[P. T.] "The breakthrough on the electronics front could have been expected."

[Dr Toth] "Yes, but in the meanwhile we, considering the fact that we take care of two-thirds of the machinery park, had to create a nationwide service network. And a modern one--inasmuch as possible. But this ate up all the money we could spend on development, and we did not receive one penny of subsidy. This is not to lay blame, because now the development of our nationwide network has been completed. It will be difficult for us to grow any further out of our own strength."

The problems which are already now visible, but which will manifest themselves even more sharply in the future, are illuminated by Dr Gyula Fonyodi deputy director in charge of finance:

"Until May of this year our profits were subject to normative control, so that in practice we were allowed to make only a specified and constantly decreasing profit. Thus the share of the profits we could spend on development was also getting smaller. It is true, however, that in May we received 'exemption' from this. The higher-level functional management--even if belatedly--acknowledged: protecting property of significant value demands progressive development of the repair and maintenance function. We were thus given the opportunity to increase our profits to 'decent' limits, and it is hoped that over the long range this will also provide the solution."

[P. T.] "Why only in the future?"

[Dr Fonyodi] "There is no way to catch up to ourselves from our own resources. If we could catch up now, the new opportunity furnished by the regulation would insure that--in addition to performing many other tasks--we could also keep up with the growth of technology. Inasmuch as there is no possibility of doing so, I am afraid that our catching up will be very slow in spite of all our efforts, and this may cause the national economy significant losses."

[P. T.] "What would you need?"

[Dr Fonyodi] "We are being squeezed, first of all, by the need of quickly and significantly expanding our revolving assets. We need a one-time addition of about 100 million forints to our revolving assets; to have the ITV recognized as a special service enterprise, because today the fact that we are considered an industrial enterprise limits our opportunities--from development to the paying of wages."

Below Average

[Dr Toth] "Yes, it is one of our grave problems"--the manager takes over--"that the average yearly wage we pay is about 5,000 forints lower than the industrial average. At the same time most people working for us are familiar with electronics, qualified mechanics who know special machinery whom we are less and less able to pay the wage they deserve. If an enterprise is looking for such a person, they can easily 'promise more' than the wages we can pay, because their wage levels can 'support' a few higher paid mechanics. And we cannot imitate them in this."

[P. T.] "Now that you will be able to make more profit, will you be able to afford wage corrections?"

[Dr Toth] "We will do what we can. We want to spend the planned profit sharing on wage improvements. But this is not much, it will be only about 50 forints per person. Because of the 'basic principle' in force, it is impossible to correct 'damaged' wage levels from our own resources. Of course, it may appear that all we can do is to cry and complain. The truth is that we are concerned primarily not for the enterprise's future but for the national economic property in question. We are thus concerned with more general interests, and even more so with the fact that the delivery of service keeps stalling more and more often, which may bring on two different 'solutions': If we cannot repair the broken-down machines in time and properly, the enterprises might buy new machines to replace ones which could still be used, and I don't need to say that this is waste. And, if they cannot do this, then work which could be done more efficiently will suffer, since this is the very service information technology equipment provides. That is, in either case the national economy loses."

Hope in Vain

Admitting the importance of providing satisfactory service for the information technology equipment—and because the enterprise's concerns seemed justified—I spoke with several financial experts about the possibility of development of this area. Their unanimous opinion can be briefly summarized this way: in essence, what is involved here is that one enterprise decided to change its structure (or more likely was forced to do so). But to keep winking for state subsidy is hoping in vain, no matter how much the development is in harmony with the national economic interests. There is, however, the possibility of applying to the Hungarian National Bank for a loan (which will, of course, have to be paid back with interest) or they can submit a proposal to the State Development Bank for so-called basic state grants (which, on the other hand, annuity obligations).

Naturally I received no answer to the question of under what conditions may the ITV be granted the above mentioned financial help--no such answer could be given in the absence of a specific loan application or proposal. But that much is probable: their justifications will be understood, especially if they can support them from the aspect of expected profitability as collateral. And the "exemption" granted in May, and, of course, the appropriate enterprise marketing policies may provide realistic hopes for this.

8584

CSO: 2500/360

DEVELOPMENT OF POWER INDUSTRY OUTLINED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 81 pp 29-31

[Article by Jan Galka: "The Development of the Power Industry Considering the Country's Current Situation"]

[Text] In the No 2, 1980, issue of INWESTYCJE I BUDOWNICTWO, I published an article titled "Investment Goals for the Power Industry" in which I outlined in a very general way a power industry development program for the 1981-1985 period based on the guidelines promulgated by the Central Committee at the Eighth PZPR Congress.

Since that time, however, events have occurred in our country which make it necessary to determine to what extent the assumptions presented in that article regarding the development of the power industry and their justifications are valid today, and to determine what has changed and what requires revisions considering not only the country's economic situation but also the new social conditions under which we are now working. To be more specific about that last statement, I have in mind not only the negative consequences of shaken social discipline (it should be added that I am not investigating here the reasons for this state of affairs since that is not the subject of this article) but also the positive phenomena, for example, the activization of a large group of people seeking new ways of solving Poland's social and economic problems.

After this expository introduction, I want to emphasize the statement from the guidelines promulgated by the Central Committee at the Eighth PZPR Congress that I quoted in the first article: "...satisfying the demand for fuel and energy in one of the basic conditions for achieving the nation's socioeconomic development goals." Regardless of what these goals may be, which must be revised fundamentally, not only is the statement regarding the necessity of satisfying the demand for fuel and energy still valid but it takes on special meaning under the new conditions.

The latest phenomena that have arisen in the national economy and the country's social situation require that certain revisions be made, quantitative as well as qualitative. The basic phenomena are:

1) the necessity of revising the program because of fundamental changes in the fuel base;

2) the necessity of implementing the advanced fuel-and energy-conservation procedure which will have a significant effect on the rate at which new power capacity is installed;

3) the decisions to integrate further the CEMA system by constructing via joint efforts the Khmel'mitskij atomic power plant and, in association with this, the suitable expansion of Poland's transmission system;

4) the new social conditions having a large effect on conditions for realizing the program.

I will attempt to describe below the effects of these phenomena on the program formulated within the framework of the cited article.

The statement that "the backbone of the development of the power industry in the 1981-1985 period will be the Belchatow mining-energy complex" continues to remain in force. It is true that the realization of this complex is being temporarily thwarted and I am sorry to report that the approved goal to place this power station's first 360-MW power unit into operation in December 1980 was not achieved. This is not the place for detailed explanations because the reasons are many, starting with material shortages and ending with the drastic limits on imports which significantly hampered work progress. The construction of the power plant's first power unit is in the final stage and the power unit will be connected to the network in the next couple of months. However, the basic thesis that it is the backbone of the 5-year program not only remains in force but has gained prominence because the negative balance for hard coal has increased.

Things are different concerning the construction of the Opole and Zaton electric power plants. The realization of the former has been subject to many impediments and the realization of the latter was delayed. For the Opole power plant, the plan specified that all six 360-MW power units would be in operation by 1985, that is, projected full power would be achieved. But the decrease in hard coal output and that which follows--great difficulties in balancing its accounts--mean in general that it is necessary to revise the construction program for hard coal-fired plants and to adapt this power plant to burn coal of significantly poorer quality than initially projected. As a result of these considerations, a program to redesign some boiler fuel system installations in this power plant has been established, and only three power units are projected to be placed in operation during the 1981-1985 period, the first of which should be operational in 1984.

The decision to build the Zaton power plant, whose operation was to be based on the Turow deposits, was undertaken too hastily. A closer analysis of Turow's mining capacity indicates that significant modernization and reconstruction of the working faces are necessary before there can be any talk of expanded mining and construction of new electric power plants. Thus the construction of this power plant must be postponed for about 3 years. Fortunately the investment outlays to be frozen there are relatively small.

Finally, it was necessary to revise the expansion plan for the Polaniec electric power plant. As it now stands, the Polaniec plant was designed to burn coal having a heat value of 4,7000 kcal/kg. Unfortunately, as with many other electric power

plants, guaranteeing supplies of coal having this projected quality is not possible. In association with the increasingly poor quality of hard coal delivered to power plants, one can debate whether the power plants should be adapted to the coal now being mined or if coal quality should be improved by enriching it at the mining enterprises. Personally, I am very convinced that the transport of millions of tons of ashes all over the country and the effects of burning this type of coal on the natural environment, even the utilization of thousands of hectares of land under the ash-stacking yards, do not justify this practice and that the coal should be enriched at the mining enterprises. However, taking this position does not change the fact that it will not be possible to achieve immediately. For this reason, it was decided to expand the Polaniec power plant based on the use of the increasingly poorer quality coal and to adapt its planned equipment to this end. This means that above and beyond the eight 200-MW power units that are currently projected, we will not achieve the hoped for results from the Polaniec power plant in the current 5-year period.

With the concurrence of the Main Inspectorate for Energy Management and the Ministry of Administration, Local Economy and Environmental Protection, the program for the development of a centralized heating plant system was changed to partially compensate for the decrease of power resulting from the changes in the electric power plant construction program, in which the share of heating capacity based on water boilers for heat-generating units under associated management has been decreased.

The increasingly severe shortage of fuel and energy occurring in the world and the rapid increase in their costs make it essential to review the uses of fuels and energy. Economy in this area, to be applied as extensively as possible, has become the order of our time. Of course the passage from an obligatory, ordered system of conservation to a completely voluntary system of conservation, one that will produce the desired results, will be a long process requiring changes not only in the way most people think but also changes in the economic sphere. But obligatory, ordered conservation will still have to be in operation for a long time because of the shortage of power in the system and the increasing fuel shortages. The reductions in electric power supplies caused by the low fuel supplies in the electric power and heat-generating plants that were reported in the press at the end of January and beginning of February were the first symptoms of this phenomenon.

Considering the current construction cycles for electric power and heat-generating plants, power engineers and others must draw proper conclusions from this because decisions made today will produce results in 7 years at the earliest. This applies primarily to the problem of developing a nuclear power industry (the construction of the Zarnowiec and Kujawy power plants) and the ongoing, though relatively expensive, program to exploit Poland's modest water energy resources. The concern here is about developing the energy of the lower Vistula River and, to start with, the Ciechocinek dam which, in addition to producing electric power, will assure proper conditions for constructing the Kujawy nuclear power plant. These are power plants that represent a start in the use of new fuels for generating electric energy.

Such a revised program envisages the delivery for use during the 1981-1985 period of about 7,500 MW of electric power which, with economical management, should balance power demand in 1985 (this will not be achieved during the 3-year power industry development program which was developed by the ministry as a part of the program to stabilize the national economy).

In the program to expand the electric power network, new elements have arisen as a result of signing the multilateral agreement concerning the joint construction by the CEMA countries of the Khmel'nitskij atomic power plant and, in association with this, the transmission of electric power via Poland's transmission system. This will require the construction on Polish territory of a 750-kV line on the Rzeszow-to-the-border line, a 750/400-kV system station in Rzeszow, and a suitable extension of the 400-kV transmission system. These investments should be realized in the 1981-1983 period. Executing this program will require special efforts by power engineers and builders and, most of all, the enterprise will require special equipping because the construction of this system requires a qualitatively new type of power industry construction.

The presentation of this program in a period when the main motto for the national economy is to restrict the investment front and to delay a number of investments already begun may appear to be unseemly and for some readers it may suggest an association with the universally disapproved era of the propaganda of success.

In attempting to formulate such an opinion, however, one should remember two basic truths which cannot be shaken:

- 1) the power industry is now one of the primary factors hindering increased production in all areas of economic activity, including the program to solve the food problem;
- 2) currently the cycle to realize energy investments requires not only an accurate definition of the development program but also its consistent realization during the 1981-1985 interval as well as during the 1981-1990 period, and for the development of the brown coal industry, even beyond 1990.

Assuming that the currently revised energy development program will be accepted, its realization will proceed (and is proceeding) in an atmosphere of continuous pressure. In my opinion, during the next several years these pressures will not decrease; on the contrary, they will increase. The concern here is not only the well-known shortages of materials, the qualitative and quantitative underdevelopment of the industry manufacturing machinery and equipment for the power industry, and the underdevelopment of the construction-assembly industry, but also their effects on the proper implementation of the currently obligatory assignments contained in Resolution 118/80 of the Council of Ministers concerning changes in the system for managing state enterprises in 1981, commonly called the small economic reform and the projects associated with the so-called big reform. I realize that in criticizing these acts I may be branded by the "activists" as a hardheaded bureaucrat, but nonetheless it does not alter the facts that the introduction of these reforms without undertaking specific actions during the transitional period when the unstabilized economy certainly will not promote the complete elimination of at least the system of regulation can cause confusion and definite perturbations in investment activity, for example, in coproduction and in material-technological supplies. If we add to this the generally valid thesis concerning the need to radically limit investments and imports (especially from the second payments area), and the need to emphasize investment activities in areas that have to date been neglected, then it should be stated that the master builders of the power industry face very difficult tasks.

To recapitulate: construction associated with solving the fuel and energy problem will require special treatment for a long time, regardless of the difficulties in which the national economy now finds itself and regardless of the necessity of shifting limited investment resources into other areas of the national economy.

11899

CSO: 2600/314

MUJZEL DISCUSSES NEED FOR COMPROMISE IN ECONOMIC REFORM

Warsaw TRYBUNA LUDU in Polish 6 Aug 81, pp 1, 6

[Article by Prof Dr Jan Mujzel, director of the Institute for Planning: "Necessary and Unnecessary Compromises"]

[Text] The lack of sociopolitical premises caused the failures of previous attempts--both the earlier ones, from the years 1956-57 and the later ones, from the years 1971-73--to deviate from the traditional economic system. Today, sociopolitical premises are beginning to take shape more favorably than at any other time in the postwar period. The Ninth Special PZPR Congress declared itself in favor of radical and early systems reform. The resolution of the congress treats reform as one of the main elements of the socialist restoration of the economy and society.

Active attitudes towards reform, recognition of the urgent need for it, and determination of actions on its behalf are developing so among the trade union links, including "Solidarity," but primarily in the large industrial establishments.

Recently, differences have been revealed in government and trade union documents concerning some of the principles and solutions of the reform system. I believe that we will succeed in overcoming these differences in a climate of businesslike discussion and that the implementation of reform will be able to be based upon the involvement and collaboration of the basic forces of our society.

The economic conditions for reform are different. And the initiation of its course will take place under exceptionally unfavorable conditions, significantly worse than several months ago.

It was known from the start that interdependence balance-reform contains the major dilemmas for initiating reform, in addition to the sociopolitical premises. However, it had not been presumed that these dilemmas would become so difficult, or that the planning of reform would be threatened by so many perils.

Lack of balance and sociopolitical barriers preventing the achievement of reform in the coming months or even years compel us to arrive at some compromises. Consequently, the first packet of solutions which are supposed to form the framework of the new system as early as 1982 will have to vary from the systems vision and from its ultimate shape. The reality of the reform is contained here, but so are the dangers facing it. After all, compromise in this field means the creation of situations

filled with contradictions, with limited effectiveness of new solutions and with the probability of attempts to reserve the direction of the evolution of reform.

From the standpoint of the chances for reform, therefore, the principle of keeping compromises and so-called transitional solutions to an absolutely indispensable minimum seems necessary. The lack of determination is threatening here at nearly every step with the prospect that reform will be turned back once again onto the path of feigned changes.

Unfortunately, it is extremely difficult to distinguish necessary compromises from unnecessary, forced, and argued compromises not because there is no avoiding them objectively, but in the name of routine and the "old" defense. And therefore, the adherents of real systems changes are faced with the urgent task of recognizing unnecessary and destructive compromises and the struggle to eliminate the latter from new draft laws and applicable solutions.

I think it is precisely these unnecessary compromises which have turned up in the draft laws on state enterprises and on the self-government of their work forces. They were criticized and discussed during work on the laws, yet they remained and were even strengthened. This issue is important for at least two reasons. First, it concerns acts of fundamental importance for the functioning of these enterprises and the way in which they are managed by state organs. Second, the basic features of future enterprises--their independence and self-government--have become the terms of unnecessary compromises.

The elimination of so-called traditional directives (directive-type tasks and allocations and allotments of funds) in the management of enterprises by the economic authorities. The opposition of the systems--the one which we wish to form and the traditional one--is expressed the most fully in this principle. It is a key opposition, and at the same time probably the most threatened element of reform.

The establishment of the enterprise director. The basic regulation of the draft law on state enterprises (Article 26) assumes the selection and establishment of the director by the founding organ, or the state authority (the Minister or governor) with the consent of the work force council. And only in some cases, on the strength of an order to establish an enterprise or particular executive determinations, can a report issued by authorities of a government organ and council be reversed.

I am personally convinced of the need to preserve the influence of state supervision on personal and wage decisions concerning the director. This view is justified by:

--the conditions for strengthening the long-term (developmental, innovative) orientation of the enterprise, and

--the fact that the state budget cannot shirk its responsibility for compensating the work force in the case of a tenuous financial balance of their enterprise.

However, in an autonomous enterprise this influence should not lead to the equal standing, as it were, of the director (the executive organ) and the council (the representatives' organ). That is at cross purposes with the nature of an autonomous enterprise and with the conditions for its correct functioning.

The faulty notion of equal ranking is strengthened by the principle adopted in the draft law on the self-government of the work force (Article 40), a principle authorizing the director not to carry out the resolutions of the council if, in his opinion, this could "cause the essential infringement of social interests." Virtually everything that does not serve the director and his founding organ can be inserted into this formula.

The division of decision-making authority between the council and the director. Porbably under the provisions of the thesis on equal ranking, the draft law on self-government of the work force strives in particular to define the legislating and consultative powers of the council (Articles 22 and 23). This enumeration cannot be an exhaustive one. As a rule, broad areas remain for interpretation and arguments. But the problem does not end here. The council has been granted the right to approve plans for enterprises. But what will these documents contain?

After all, under the new system the enterprises themselves are to determine the method of constructing and presenting plans. All of this prompts all the greater doubts that the council has been left only consultative powers in a number of matters specified in the draft law and fundamental for an enterprise, such as: the association, division, and elimination of an enterprise; the conclusion of long-term agreements with other organizations and state organs, etc.

I think that the aforementioned compromises can have a number of negative effects. I will mention one--in the sphere of self-financing. The thesis is widely promoted that independent and autonomous enterprises should operate on the basis of self-financing. This principle is regarded appropriately as the condition for efficiency and for the forces balancing the economy. Its most difficult aspect, but also perhaps its most essential aspect, is the adoption by the work forces of wage responsibility for the financial results of the enterprise. This responsibility cannot be decreed--the work forces have to assume it consciously. The state budget can and should attenuate this responsibility, but only in critical situations and within a scope limited both with regard to the level of guaranteed remunerations, and with regard to time.

All of this is logical and convincing provided that the authority goes together with the responsibility, that is, that the work forces become the real, leading organ of the autonomous enterprise. All limitations on these activities undermine the reality of consistent self-financing and the mainsprings of effectiveness contained in it.

The concept of current Polish reform was founded on the principles of socialization and self-government, and--in my opinion--this is appropriate on all accounts. However, the complexity of the Polish economy, the variety of situations, and also the uncertainty characterizing decisions of this kind demand that we permit, in addition to self-governing enterprises as the dominant type, also other types, such as, let us say, enterprises under state management, capital companies, and public enterprises endowed or not with the classic institution of worker self-government. These enterprises would differ from the autonomous enterprises either in the strengthened action of state organs, or in the stronger factor of managerism (professional managerial positions) or in the advocacy of the role of a capital share, or also in the exclusion of the principle of maximization of a financial result.

In the approach to the construction and functioning of enterprises, what we need is simply pluralism, formulated clearly and with the internal consistency of each of the types preserved.

Article 47 of the draft law on enterprises empowers organs of authority to apply directive-type tasks to the enterprises in some fields. An effort has been made to weaken the antieffective character of these tools. Towards this end, the two complementary principles of the contractual course and compensation by the budget for possible losses have been introduced.

We can dismiss the contractual course, since an enterprise has no right to deny the conclusions of an agreement. Elimination of discrepancies is to be based, therefore, on the obligation to equalize losses, which I consider a questionable solution.

First, this will create procedures for auction and disinformation. Thus, it will undermine powers of effectiveness not only in the area of directives but enterprises as a whole.

Second, if compensation yields a surplus, the directive becomes unnecessary. But if the compensation is incomplete, it has to restore all the well known negative effects of the directive-type system.

Third, the undermining of conditions for consistent self-financing would ensue. For the financial results of many enterprises would depend on an essential or very essential manner on the directives and the course of action.

I consider the maintaining of traditional directives in whatever fields to be a dispensable compromise. There are no objective obstacles to having production in the divisions mentioned in Article 47 of the draft law on enterprises take place with respect for the independence of enterprises and with the use of policy tools which are not at cross purposes with that independence. I have in mind the prices supplementing financial tools and--in case of need (such as with export)--licences.

In the discussion of the directive system, or rather its elimination, the year 1982, the so-called transitional period, and state control of some of the most temporarily deficient and basic means of production remain a separate issue. It is necessary to make allowance for state control and also for the fact that this may require some area of directive-type tasks for producers and suppliers of distributed resources. This should be expressed in the draft law on enterprises.

However, legal authorization to apply directives cannot be general and blanket in any case, which was evident in the final phase of preparation of the present draft laws. Such a concession to directives is justified in a simple link with state materials and foreign currency control, and only in the area of this control which is expiring, as defined by the resolution of the Sejm.

8729

CSO: 2600/304

CURRENT ECONOMIC SITUATION REPORTED

Krakow GAZETA KRAKOWSKA in Polish 14-16 Aug 81 p 2

[Text] Industry

Many enterprises have experienced work stoppages and disturbances due to limited supplies of electric power. Also noted is the disturbance of work discipline because of insufficient food supplies.

Coal supplies are short in the power industry. The lowest supplies are at the Halemba, Jaworzno and Siersza power plants. Average supplies of coal to these plants is less than its consumption.

Difficulties in the supply of materials to the machine industry are causing production shortfalls of many products. Insufficient supplies of sheet metal from the Lenin Steel Plant limited supplies of rims and cabins for tractors. As a result, 100 tractors could not be supplied to customers.

In seven enterprises of the rubber industry production of tires and tubes has been curtailed due to lack of raw materials.

Stand-downs of spinning machines in the wool industry have occurred for the same reason.

Transport

A significant number of vehicles in the construction industry continue to be idle due to shortages of fuel, tires, batteries, spare parts and oil.

In Walbrzych, Bielsko, and Koszalin Voivodships, and in Warsaw, approximately one-third of the buses were not running due to the shortages cited above.

On 10 August a power shortage caused a stoppage of streetcar service in Gorzow from 1000 to 1300 hours.

Agriculture

Continued good weather is helping in the harvest of grains.

Preparations for potato digging in Slupsk Voivodship are hampered by a shortage of chains for rotating potato diggers.

During the last free Saturday and Sunday flour mills produced 13,800 tons of flour. This is a 25-percent increase over the amount produced during the average workday of three shifts.

From 1 to 10 August, 20,200 tons of meat were purchased compared to 36,900 tons purchased during the same period last year.

During a general village meeting the farmers of Pakoslaw renounced 50 percent of their ration of meat and meat products, to be consigned for the use of hardworking miners and other workers. They appeal to other farmers in the country to follow their example.

CSO: 2600/334

FINANCE DIRECTOR INTERVIEWED ON DEBT REFINANCING

Warsaw ZYCIE WARSZAWY in Polish 28 Jul 81 pp 1-2

[Interview with Zygmunt Krolak, director of the Currency-Finance Department at the Ministry of Foreign Trade, by PAP journalist Henryk Borucinski: "Deferment of Repayments and What Then?"]

[Text] "Refinancing of Polish debts will definitely not be enough to rebuild the Polish economy"—declared the often quoted by our press, Prof Richard Portes of the University of London, in one of his articles. Our economic functionaries are perfectly aware of this, particularly foreign trade and bank employees, because refinancing depends on obtaining new credits, usually bearing high interest rates for the repayment of the old ones. These may be credits for the purpose of repaying installments as well as interest—we have negotiated such an agreement in Paris with the governments of creditor countries.

However, we must pay the current, new, substantially higher interest on the refinanced credit installments, including interest. Refinancing, therefore, indicates a significant increase of indebtedness and only its repayment is postponed. Is refinancing our "solution"? Does it allow for a way out of the crisis? This topic is discussed with Zygmunt Krolak, director of the Currency-Finance Department at the MHZ [Ministry of Foreign Trade] by a PAP journalist.

[Question] What is the status of negotiations on the deferment of our debt repayments?

[Answer] We have completed negotiations with the governments of countries which have given guarantees on credits to Poland. These governments made the first step, during the Paris meeting, in the direction of making possible, prospects of eliminating our debt towards these countries. If you will recall, we received approval for the deferment of repayments of credit installments and interest falling due in 1981 in the total amount of about 2.6 billion dollars. The next essential step for normalizing our economy would be the undertaking of a similar decision by private banks.

[Question] To the best of my knowledge, these negotiations are not proceeding easily...

[Answer] Difficulties do, in fact, arise. Banks are demanding the current repayment of interest which under our conditions is not a trivial sum. It is estimated that the sum total of interest to be paid in 1982 may exceed 3 billion dollars. In addition, American banks are reluctant when it comes to the postponement of repayments and require guarantees that we will be solvent. They are insisting on the introduction of their own controls in terms of reducing consumption and domestic expenditures in Poland. Negotiations which took place with representatives of private banks in Zurich do not indicate that they are about to relax their conditions.

[Question] And if we do come to terms with the private banks, will this mark the beginning of our climbing out of "the pit"?

[Answer] No, we need a third step: credit to "activate" our economy. Presently, our exports do not make up for indispensable imports. Our economy needs an initial impetus. In this case, reference is being made to money for the importing of raw and other materials. We must fully utilize our manufacturing potential for a substantial increase in exports and to eliminate the importing of certain products.

Without these additional credits, we will not be able to come out of the vicious circle of constantly falling production, exports and imports, because it is a kind of negative feedback. For example, in the first half of the current year, our trade with capitalist countries fell as much as 25 percent. Owing to tremendous efforts, we have maintained our level of trade with socialist countries and we have even increased imports from these countries in the amount of approximately 1 billion foreign-exchange zlotys; this made it possible, to a certain degree, to compensate for the decline in trade with countries of the II payments area [capitalist countries] but only to a certain degree.

[Question] In a situation where our exports may not compensate for imports, the refinancing alone without additional credits designates an added burden on the economy rather than relief.

[Answer] Of course. I would like to add to this that during the current year, our economy has not received any relief. In the first half of 1981, credit repayments, including interest, amounted to about 2.5 billion dollars and besides this, Western banks withdrew their short-term deposits from the Bank of Commerce in the amount of about 700 million dollars.

[Question] It can be said then, that this is a series of actions by Western banks leading to the deepening of our crisis...

[Answer] Maybe that is saying it too strongly, but the fact is that in banking circles of certain Western countries, our postulates are not met with understanding. However, we do have indications that industrialists from these countries are putting pressure on the banks to give Poland comprehensive assistance in finding a way out of the crisis.

[Question] Perhaps that is so, because to Western industrialists, we continue to represent an important partner, a good selling market, an exporter of

important raw materials. Producers are simply looking ahead and in broader terms.

[Answer] Our needs find understanding in many countries but not in all; for example, they are not met with understanding in banking circles of the USA, the FRG or France, even though we have presented to the Western countries a report on the state of our economy and a plan of recovery from the crisis that was favorably accepted. This was supported by documents prepared for the Ninth Extraordinary Congress of the PZPR, by a government program for surmounting the crisis as well as stabilizing the country's economy, by proposals concerning the directions of economic reform and recently by resolutions passed at the Ninth Congress.

It is known that actions have been undertaken in many economic areas having a direct bearing on the activation of vital mainsprings for the economy's growth; I would like to mention coal, agriculture and change in retail as well as producer prices. In practice, however, the governments of, among others, the USA and FRG in formally accepting our position, claim that they do not have influence over private banks to which Poland has turned for credit.

[Question] Apparently, the banks are not completely convinced of our ability to come out of the crisis...

[Answer] The brutal truth is that without credit for stimulation of the economy, we will indeed not come out of the crisis.

[Question] This, in truth, sounds like blackmail but it is, I suppose, simply the economic and political reality of our country. With additional credits, the Western banks would enable us to repay them. Delay in these decisions plunges our economy even deeper.

[Answer] Obviously, this may appear to be blackmail to those who are uninformed, but Professor Portes, whom you quoted in the beginning, has a point of view identical with ours: in order to pay off the credits—we must not only secure new ones for refinancing but also for the activation of the economy. Our guarantee to our creditors is the introduction of economic reform. This constitutes an enormous undertaking and could not have been introduced overnight. The reform will allow for the utilization of our great industrial and agricultural potential. We want to achieve an annual increase of exports in an amount surpassing 15 percent with a substantially lower, parallel increase of imports.

[Question] How much do we need for this "activation"?

[Answer] The amount withdrawn by the banks would suffice for the first half-year, i.e., approximately 700 million dollars, but as time passes, we will need more. Besides our cash needs, we presently need about 2 billion dollars of credits for raw and production materials. We realize, of course, that the fundamental problem is to make a definite break in the falling trend of export production and to restore complete rhythm to production and a high export growth rate.

[Question] A significant number of our economists and bankers feel that it would be easier for us to solve financial matters if Poland were a member of the International Monetary Fund [IMF].

[Answer] They are indeed right. As one of the founding countries of the UN, Poland was a member of the International Monetary Fund and the World Bank from the time these organizations were established. We are fully entitled to membership in these two financial departments of the UN and, by virtue of this, to the securing of considerably greater credit privileges than those offered by private banks. It is to be expected that the general conditions under which we could obtain credits from the IMF would be considerably less stringent than those which the private banks are trying to impose on us.

[Question] I am hopeful that this money will not come in contact with anyone of those who squandered a considerable portion of past credits?

[Answer] Results of the Ninth Extraordinary Congress and the first undertaken decisions indicate that this is not hope but a certainty.

[Question] Thank you for the discussion.

9853

CSO: 2600/288

PRINCIPLES INVOLVED IN ECONOMIC MECHANISM IMPLEMENTATION

Bucharest ERA SOCIALISTA in Romanian No 11, 5 Jun 81 pp 1-3

[Article by Dr Cornel Iuga, deputy minister of finance]

[Text] The need felt to undertake new actions to improve the economic-financial mechanism resulted from a critical analysis of the measures taken, particularly in the last 15 years, in this field and from the current and long-range requirements for the development of our socialist society. As we know, the March 1978 RCP CC Plenum pointed out that our system of leadership, of planning and the economic levers and means entered into contradiction with the broadly democratic framework of leadership of the national economy created after the 9th party congress. Institutionalization of the principle of collective leadership at all levels, for example, sought full assertion of the workers' collective thinking in working out and substantiating the decisions on activity at all social-economic levels of the country. Also, the increase in the economic units' role in planning activity has had positive effects at the micro- and macroeconomic level.

A detailed examination of the way in which the decisions adopted have been implemented shows that, although to a great extent the normative framework insures conditions for an active role of the collective leadership organs in the production units to direct economic life, actually their duties were being reduced, in particular, in fulfillment of the plan tasks established at the central level, and they still are being reduced in some cases. At the same time, for a long time, elements of excessive centralism and petty administrative directing have been kept in relations between units and the state budget and between the units and society.

Actually, what was the system of economic relations between the state and the units until several years ago? This was based exclusively on results. In other words, the better a unit worked and obtained higher profits, the more it had the duty to deposit more in the state budget. On the contrary, if it worked more poorly and obtained poorer results, it made smaller deposits, while if the unit was not capable of covering its expenses from its own incomes, they were, in the end, covered from the budget. In practice, around 95 percent of total profits achieved by the economic units were being drawn to the disposal of the state budget or the higher organs which, in turn, were covering nearly entirely the needs for the enterprises' financial capital. This was an abnormal, totally unstimulating system which, I would say, tolerated and even favored negative phenomena in economic activity.

One of the main shortcomings demonstrated in the old system of directing the economy was that the quantitative aspects predominated in the activity of leadership, planning in general and less the qualitative aspects. Actually at the base of this system, as we know, was the indicator of "value of total production" and all the units were trying to fulfill the indicator by manufacturing products with the biggest possible material consumption or, without there being a need, moving products from one unit to another, phenomena which artificially loaded total production.

These are just several of the reasons which meant that the March 1978 RCP Central Committee Plenum would adopt decisions intended to provide the framework and conditions needed to make the transition to the new economic-financial mechanism.

First it was necessary that a system of indicators be promoted in leadership activity which would concentrate the units' concerns on qualitative aspects, on aspects of economic efficiency of all activity. For that reason, as the central plan indicator, the indicator of "value of total production" was replaced with an indicator which expressed not only the volume of activity but, in particular, the qualitative results of economic activity, the contribution of each production unit to the creation of national income and that is the indicator of "value of net production."

But, as we know, nobody--neither the economy as a whole nor each citizen--satisfied their needs by proceeding from value indicators, no matter how expressive they were. In order to answer and satisfy the actual demands, the specific demands of the national economy and of the population, we need material goods and physical products. That is why, along with the indicator of "value of net production," the important indicator of "physical production" was introduced into the system of leadership and planning, precisely so that the economic units would be concerned, equally, not only with achieving the value indicators but also the variety structure of products, as it is imposed by the needs of the national economy and the population. And what is more, as specified in the party documents, nor is the fact that the value of net production and physical production was placed at the basis of the system of indicators enough. Because we do not produce for the sake of producing and material goods must enter into economic circulation, physical production must be transformed into production-good, in other words, it must be sold and received. The indicator of "production-good sold and received" gives expression to the finality of economic activity, the certainty that each product was requested by the economy and the population, its countervalue was received, while the economic circulation may begin again.

Reconsideration of the role of the indicator of "production-good sold and received" in the framework of the new economic-financial mechanism has stimulated the enterprises' concerns with having better knowledge of the beneficiaries' requirements and has made it understood as clearly as possible that it is not enough to produce and that an enterprise's mission may not be reduced merely to manufacturing various goods, but that production must be in agreement with social need, verified on the market by the sale and receipt of its countervalue. Only in this way does it become possible to reunite the financial resources needed for continuity of production activity.

Although in the recent period some positive results were obtained in preventing products being placed into manufacture without insured sale and in reducing stocks of finished products beyond the norm and in speeding up the dispatch and receipt of the countervalue of the production-good, in a number of units, particularly in the industries of machine construction, light, forestry economy and construction materials, there still are stocks exceeding current needs; the volume of products, jobs and goods sent and in the process of being received is high and even a rising trend has been demonstrated so that currently, as value, it currently is exceeding the set stocks of finished products.

These negative phenomena cause tie-ups of capital, difficulties in providing the ability to pay, frequent resorting to bank credits, which in the end leads to a reduction in the units' profits and their own resources to established development reserves and material incentives. At the same time, the enterprises' financial resources are negatively affected, sometimes with large amounts, as a result of precisely this failure to respect the contractual clauses on the quantity and terms of delivery and dispatch of goods in advance, without prior agreement from the beneficiaries or inappropriate quality, errors in invoicing of the products and so forth. Let us recall that during last year temporary refusals for payment continually rose to several billion lei.

These are just several facts which bring out the need for more efficient intervention, prompt intervention, from the financial-banking organs to have the economic units provide forms and means of payment in the contracts which insure faster discounting as well as strict respect for the delivery obligations for the goods on schedule, timely and correct compilation of the discount documents, having the beneficiary take receipt of the goods received and make available their payment on the dates established so that each enterprise permanently maintains its ability to pay.

Within the framework of the economic-financial mechanism, there is special importance in the value relations and financial relations. One may say that the changes made in this area, to a great extent, bring a new content to the mechanism.

One of the requirements sharply facing the financial-banking organs was to eliminate subjectivism in establishing the duties of the economic units toward society, since, as I have said, the better a unit worked and the bigger profits it obtained, the bigger deposits it made to the budget. It is necessary that when the units' obligations are determined, consideration should be taken not only of the results they have obtained but also what they have received from society, knowing that the same volume of profits may be obtained with a larger or smaller volume of capital.

From these considerations there was a need to find objective ways to establish the obligations belonging to the units toward society, on this basis providing the conditions for making the transition from economic management to the economic self-management and self-financing of the enterprise. Today we can say that the organizational, institutional and legislative framework has been created, one which permits us to actually speak of economic-financial self-management and worker self-leadership.

As we know, a unit organized on the principle of economic management has a legal personality, its own assets, it closes accounting balances, it has contractual relations with other economic units, it has operational independence and so forth. All these features also are being preserved in economic-financial self-management. The single requirement toward the socialist units in the system of organizing economic management was that they should carry out their activity so that they could cover expenses from their own incomes and also obtain a certain profit. What profit? As much as each one could; the important thing was to obtain it!

But this requirement was not always respected, either, since some units in industry, construction and agriculture were not covering expenses from their own incomes and were being subsidized by the state. Whereas losses in some units in the extraction industry, for example, were caused partly by the need to utilize certain useful mineral substances with a lower content or which were located in more difficult exploitation conditions, the inappropriate financial results in units of the processing branches were caused by shortcomings demonstrated in reaching the parameters planned,

by incomplete use of production capabilities, by exceeding material and energy consumption as well as the planned expenses in general.

Economic-financial self-management also has as the departure point the supplementary economic requirement for each unit to be capable of covering its expenses from its own incomes. But, according to the demands of the new economic-financial mechanism, we no longer can stop with this requirement. Economic-financial self-management requires much more.

First, the requirement has been expressly formulated for the economic units not to obtain financial results of any size but at least results of a size that they are able to repay society what they have received from it. Here we have a primary objective criterion for establishing the obligations which the units have toward society: each one must take action so that what it has received in capital from society should be repaid on time.

This measure is able, through economic methods, to bring an increase in the responsibility of the enterprises and their holding organs to select the paths for fulfilling the development goals, for increasing production, that is, through better use of the capabilities they have available and rise in labor productivity by reducing consumption standards, improving the quality of products and so forth, in other words, due to intensive factors. Clearly, the path for intensifying production and, on this base, reducing the investment effort is more profitable both for the units as well as for society, while the new economic-financial mechanism concentrates its concerns precisely in this direction.

However, if matters could be limited just to this requirement, it would not be possible to fulfill the political, economic and social goals of developing the country's production potential. If each economic unit is capable merely of repaying what it has received from society, this means that society can provide merely the resources needed for simple reproduction and not also for broader reproduction. Also, we cannot omit the fact that society's needs are not only strictly material ones. As a complex organ, society must also cover spiritual needs, development of education and culture, health protection and so forth. Under current conditions, capital also is needed to strengthen the country's defense capability.

Precisely in order to satisfy all the requirements involved in development and other general needs of society, the new economic-financial mechanism and economic-financial self-management require the economic units not only to obtain results from which they can cover the obligations they have toward society by repaying what they have received from it but also to obtain results which bring the largest possible contribution to creation of the resources needed for society's multilateral development.

For that reason, there has been institutionalization of the obligation for the industrial units to make certain deposits into the state budget, at the disposal of society, from net production. Drawing off a portion of the value of net production for society is established by shares differentiated by ministries and centrals and, in justified cases, by enterprises, depending on the volume of profit, level of profitability of production and needs of self-financing.

If economic-financial self-management were to stop with just the requirements mentioned until now, the question could be asked: Fine, the units cover their expenses, they pay back what they have received from society, they make their contribution

to the general development of society, but what do they get after the activity carried out, are they given incentives to obtain results and bigger and bigger profits?

For the purpose of answering this logical, natural demand and to provide material incentives for the economic units to obtain better and better results, the legal regulations on the new economic-financial mechanism establish that, after the units have satisfied their obligations toward society, the profit achieved remains at their disposal for self-financing, that is, for creating the capital needed for broader reproduction, development of production and so forth. Thus, from the profits they obtain, the units establish their "economic development capital" and the "circulating resources capital." Last year, in order to establish this capital, the units kept and utilized from the profits achieved more than 28 billion lei, which is 31 percent more than in 1979. Thus, they are being stimulated to obtain as big results as possible which would provide them with the resources for self-financing.

Placed on an economic base, the concept of material incentives takes on a rich content, with material incentives being understood both as an incentive as well as a responsibility for utilizing the capital entrusted and for increasing economic efficiency. Truly, by recognizing that they are the ones who can use a portion of the profits, that they have the opportunity to develop, that they can improve their technical-material base, profile and structure of production, the units are directly concerned with working with expenses which are as small as possible and with obtaining profits which are as big as possible.

In the new economic-financial mechanism, material incentives do not stop at the unit level, as a participating agent in the economic process, since, as we well know, in the end the central role in the production process is played by the people, who have the triple quality in our society of being owners, producers and beneficiaries of the goods produced. Thus, it has appeared absolutely necessary for the collective of workers to be directly concerned for the unit to work as well as possible and to obtain the biggest profits possible.

Answering this need, the opportunity has been created for a fund to be formed from the unit's profits for housing construction and other social investments, for improving working and living conditions for the people in the particular unit, for establishing a "special fund" (for day care centers, nursery schools, medical treatments, rest and so forth). True, the ones going to treatments, to rest areas or who have children in the day care centers and nursery schools also pay something. But this "something" is less than half of the expenses which society has.

The current economic-financial mechanism has brought some innovations in providing each person with a material incentive so that the unit where he works "goes" well and obtains the biggest possible profits. The law has provided that a fund be established from the unit's profits, one which provides individual material incentives in proportion to the results obtained. It is a question of the "fund for workers' participation in the profits."

The five-year plan we are going through takes into consideration an increase in the share of the workers' incomes coming from the funds for participation in the profits. Currently, in accordance with the law, a share of 3 percent of planned profits is allocated to establish the participation fund. The law offers the opportunity for a portion of up to 25 percent to be kept by the unit in the units which obtain profits

over the plan which, basically, means a supplementary national income and this is to increase the participation fund of the workers in the profits.

Finally, among the conditions needed to consistently apply self-management and self-financing in the activity of all the economic-social units, is bringing up to date and improving the correlation of production and delivery prices, on economic principles, for products by the socialist units as well as the production, contracting and acquisition prices in agriculture. Proceeding from the changes which have occurred in the level of production costs, particularly in the extraction industry, and from the large increase in foreign prices for raw materials and imported materials, the new prices, placed into application at the start of the year, have been given a size so that they insure profitability for all the branches and subbranches of the national economy, so that they stimulate and amplify concern with continually reducing costs, increasing labor productivity and increasing economic efficiency.

The new economic-financial mechanism has created some of the most favorable conditions to raise the parameters of efficiency to heights unknown until now in our country. Of course, these conditions do not lead automatically to the results possible. There is a need for perseverant activity, for creative thought, for high responsibility in applying all the measures included in the party and state documents.

8071
C SO: 2700/362

ROMANIA

AGRICULTURE MINISTRY REORGANIZED, NEW UNITS ESTABLISHED

Bucharest BULETINUL OFICIAL in Romanian Part I No 44, 30 Jun 81 pp 1-16

[Council of State Decree No 170 of 27 June 1981 on Amending Council of State Decree No 298/1979 on Organization and Operation of the Ministry of Agriculture and Food Industry and Establishing Research and Production Units in the Area of Zootechnics, Animal Nutrition and Veterinary Medicine]

[Test] The Council of State of the Socialist Republic of Romania decrees:

Article 1. Council of State Decree No 298/1979 on the Organization and Operation of the Ministry of Agriculture and Food Industry is amended as follows:

1. Article 11b) is to have the following content:

11b. The zooveterinary general economic directorate, which has in its organization:

The directorate for cattle raising and production; the directorate for hog raising and production; the directorate for sheep raising and production; the fodder base directorate; the veterinary health directorate; the directorate for production, economic and financial plan; the state veterinary health inspectorate.

2. Appendices Nos 3, 3A-J as provided in Article 11 are amended and replaced with Appendices Nos 1, 1A-J*in this decree.

3. Article 13 is to have the following content:

Article 13. The zooveterinary general economic directorate is responsible for:

a) Fulfilling plans from the single national plan for social-economic development for numbers, production, takeovers and deliveries to the state fund and efficiency indicators in the area of animal raising throughout the country;

b) Working out and having unified application of the research and production programs for animal improvement, reproduction and nutrition throughout agriculture and of techniques to carry out animal production;

c) Providing animal health;

d) Providing the necessary fodder base, improving meadows and the processing and good management of all categories of fodders.

* The appendices are being sent to the institutions concerned.

4. Article 21, paragraph 1, will have the following content:

The department of state agriculture, the department of the food industry, the Academy of Agricultural and Silvicultural Sciences, the Zootechnical General Economic Directorate, the Horticulture General Economic Directorate, the general economic directorate for the mechanization of agriculture, irrigation, transport and production of equipment for agriculture and the food industry and the general economic directorate for land improvement and construction in agriculture have legal personalities, are plan holders, list separately in the single national plan the tasks for all indicators, are directly responsible for fulfilling the indicators established.

5. Article 23 is to have the following content:

Article 23. The departments and general economic directorates provided in Articles 13, 15, 16 and 18-20 are headed by one leadership council and one executive bureau, organs of a deliberative nature, which are established and operate in accordance with the provisions of Decree No 76/1973 on Leadership of Ministries and Other Central Organizations of State Administration on the Basis of the Principle of Collective Leadership.

6. Article 25 is to have the following content:

Article 25. Technical-economic councils, in accordance with Decree No 78/1973, are organized and operate in the organs of collective leadership of the general economic directorates provided in Articles 13 and 18-20.

Article 2. The Institute for Animal Biology and Nutrition, with headquarters in Balotesti Commune, Ilfov agricultural sector, is established as of 1 July 1981, with its purpose of activity being to do scientific research in biology, genetics, reproduction and animal nutrition, to establish the optimum composition of the fodder rations, to work out production techniques for the combined fodders and to produce zooforturi [word unknown].

The Institute for Animal Biology and Nutrition is established by reorganizing the Research Institute for Animal Nutrition in Balotesti, which is abolished. The provisions of Article 3 of Council of State Decree No 29 /1977 on Completion of the Organization Structure of the Research Institute for Animal Nutrition is preserved.

Article 3. The Institute for Animal Biology and Nutrition operates on the basis of the principle of economic-financial self-management, is a legal person and is organized as a small research and production institute in accordance with the legal standards on organization and leadership of socialist state units and the unified norms of structure approved for research units by Decree No 297/1973.

The Institute for Animal Biology and Nutrition may utilize the position of scientific secretary, also.

The institute fits into degree I of organization for production activity, level II for salaries and personnel with higher studies proven by research activity and group IV of branches for salaries for personnel with higher studies not proven and those without higher training.

Article 4. The Institute for Animal Biology and Nutrition coordinates all scientific research activity in a unified way and is responsible for it in the area of zootechnics in all research and production units, for which purpose:

- a) Together with beneficiaries, it works out programs and plans for scientific research, technological development and the introduction of technical progress and presents them for approval of the Academy of Silviculture and Agricultural Sciences and the Zooveterinary General Economic Directorate;
- b) It is responsible for fulfillment of the goals in the programs and plans approved at the level of the technical-economic parameters forecast;
- c) It advises on the techniques worked out by the research units in the zooveterinary area as well as the solutions needed to fulfill the goals of the programs;
- d) It seeks the application and generalization of the results of the research concluded in model units as well as other units.

Article 5. The Institute for Animal Biology and Nutrition has a council for zooveterinary research which discusses and makes proposals to improve the activity of genetics, reproduction, selection, nutrition, the animals' health protection and establishing of zones by species and breeds of animals and pasture areas.

The council for zooveterinary research is comprised of the directors of institutes, central stations and research and production stations, specialists from education, leaders of centrals and production units, specialists from the Ministry of Agriculture and Food Industry and from other central organs.

The composition of the Council for Zooveterinary Research and its duties are set by the leadership council of the Ministry of Agriculture and Food Industry.

Article 6. The research and production institutes in zootechnics are under the Zooveterinary General Economic Directorate in the Ministry of Agriculture and Food Industry. The research and production institute for chicken and small animal raising is under the central for poultry production.

The research and production institutes may have under them research and production stations, with legal personality.

The research and production units in zootechnics are directly responsible for carrying out the program to provide selected material for reproduction and for establishing the most economical technological solutions. Also, together with the zooveterinary economic general directorate, they are responsible for applying the results of research in production, up to achievement of the technical-economic parameters forecast, in the units within the territorial zone which was established for them by the Ministry of Agriculture and Food Industry.

Article 7. Starting 1 July 1981 the research and production units provided in Appendix 2 are established, with the name, headquarters, subordination, degree of organization for production activity and level of pay and group of branches for the personnel in the research activity as mentioned in that same appendix. The purpose of activity is as provided in Appendix 2A.

The research and production units established in accordance with paragraph 1 operate on the basis of the principle of economic-financial management, have a legal personality and are organized in accordance with legal norms for the organization and leadership of socialist state units and the unified organizational norms approved for research units by Decree No 297/1973.

Article 8. Starting 1 July 1981 the research and production units provided in Appendix 3 amend their name, headquarters, subordination or purpose of activity, while the units provided in Appendix 4 are abolished, with their activity being taken over by the research and production units provided in that same appendix.

Article 9. The research and production units in zootechnics may have in their organization zootechnical complexes and slaughterhouses and may utilize the job of epizootologist for production activity in accordance with the criteria approved for state agricultural enterprises by the appendix to Article 2, paragraph 2, and Article 20, paragraph 3, of Decree No 162/1973 on Establishment of Unified Standards for Organization for Economic Units.

Article 10. The research and production institute for pasture crops, together with the county enterprises, is responsible for improvement and exploitation of the pastures to have complete provision of the fodder crop seeds needed to improve the pastures throughout the country.

Article 11. Starting 1 July 1981, Appendix 5, point 5, to Council of State Decree No 298/1979 is amended as follows: "State department for agriculture" is replaced with "Zooveterinary General Economic directorate," while the purpose of activity has the following content: "It organizes the production, research, industrialization and utilization of products in the area of poultry and small animal raising."

Article 12. Starting 1 July 1981, Semtest, the enterprise for testing reproducers and the production of frozen semen under the Ministry of Agriculture and the Food Industry moves, as a unit without legal personality, under the research and production institute for cattle raising in Balotesti, preserving its organizational structure, duties and current salary level.

Article 13. Starting 1 July 1981, the veterinary diagnostic health central laboratory under the Ministry of Agriculture and the Food Industry, as a unit without legal personality, moves under the Pasteur veterinary research and biochemical preparations institute, preserving its organizational structure, duties, financing system and current salary level and operating as a specialized unit to serve units of the Ministry of Agriculture and the Food Industry.

Article 14. Starting 1 July 1981, the laboratory for poultry tumoral viruses within the central for poultry production moves into the structure of the Pasteur veterinary research and biochemical preparations institute and is organized in accordance with the unified norms of organizations approved by Decree No 297/1973.

Article 15. The assets and liabilities established on the basis of the balance closed on 30 June 1981, together with the economic and financial plan indicators with contracts concluded and with areas intended for fodder base, move from the units abolished to the units established in accordance with this decree, on the basis of protocol.

Article 16. Worker personnel moving from the abolished units or those reorganized to the units established in accordance with the provisions of this decree are considered transferred in the interest of their job.

Personnel transferred in the interest of their job or moved within the same unit to jobs with smaller salary levels as a result of application of the provisions of this decree enjoy the rights provided in Article 21 of Decree No 162/1973 on Establishment of Unified Norms of Structure for Economic Units.

Scientific research personnel keep their job and scientific degree they had.

Article 17. The provisions of this decree are applied within the limit of the economic-financial indicators approved for the Ministry of Agriculture and the Food Industry for 1981.

Article 18. The provisions of the Council of State Decree No 367/1980 on Measures for Reasonable Utilization of Personnel in Socialist Units do not apply for the positions blocked in the units established or reorganized in accordance with this decree as well as for positions in the budget and economic apparatus of the Ministry of Agriculture and the Food Industry.

Article 19. Appendices Nos 1 and 2 to Council of State Decree No 400/1977 on Amendment to Appendices to Decree No 162/1973 are completed with the provisions of Appendices Nos 5 and 6 to this decree.*

Article 20. Appendix 5, letter A and B, to Council of State Decree No 298/1979 on Organization and Operation of the Ministry of Agriculture and the Food Industry are amended and completed in accordance with Appendix 7 to this decree.

Article 21. Appendix 6 to Council of State Decree No 298/1979 on Organization and Operation of the Ministry of Agriculture and the Food Industry and Appendices Nos 3 and 4 to Council of State Decree No 32/1980 on Organization of General Directorates for Agriculture and the Food Industry for Counties and Bucharest Municipality, as well as the unified state and cooperative agroindustrial councils, are amended in accordance with Appendix 8 to this decree.

Article 22. The State Planning Committee and the Ministry of Finance, within 45 days of the date that this decree goes into effect, on the basis of the proposals of the Ministry of Agriculture and the Food Industry, will place for approval the amendment of the plan indicators by holders with the resultant effects and preservation of the budgetary balance approved as a result of application of the decree's provisions.

Article 23. Appendices Nos 1-8 are an integral part of this decree.

* The appendices are being sent to the institutes concerned.

Appendix 2: List of Research and Production Units Being Established

<u>Name of Unit</u>	<u>Headquarters</u>	<u>Organ to Which it is subordinate</u>	<u>Pay Level</u>	<u>Group of Branches</u>	<u>Degree of Organization</u>
Dulbanu research and production station for cattle raising	Amaru Commune, Buzau County	Balotesti research and production institute for cattle-raising	III	IV	III
Dancu research and production station for cattle raising	Holboca Commune, Iasi County	"	III	IV	III
Margineni research and production station for cattle raising	Margineni Commune, Neamt County	"	III	IV	III
Mures research and production station for cattle raising	Arad Municipality, Arad County	"	III	IV	I
Sercaia research and production station for water buffalo	Sercaia Commune, Brasov County	"	III	IV	III
Palas research and production institute for sheep and goat raising--small institute	Constanta Municipality, Constanta County	Zooveterinary General Economic Directorate	II	IV	I
Carei research and production station for sheep raising	Carei City, Satu Mare County	Palas research and production institute for sheep and goat raising	III	IV	II
Uzunu research and production station for sheep raising	Calugareni Commune, Giurgiu County	"	III	IV	III
Secueni research and production station for sheep raising	Secueni Commune, Bacau County	"	III	IV	III
Bilciuresti research and production station for sheep raising	Bilciuresti Commune, Dimbovita County	"	III	IV	III

Appendix 2 (cont)

<u>Name of Unit</u>	<u>Headquarters</u>	<u>Organ to which it is subordinate</u>	<u>Pay Level</u>	<u>Group of Branches</u>	<u>Degree of Organization</u>
Caransebes research and production station for sheep raising	Caransebes City, Caras-Severin County	Palas research and production institute for sheep and goat raising	III	IV	III
Reghin research and production station for sheep and goat raising	Reghin City, Mures County	"	III	IV	II
Peris research and production institute for hog raising-small institute	Peris Commune, Ilfov agricultural sector	Zooveterinary general economic directorate	II	IV	I
Gornesti research and production station for hog raising	Gornesti Commune, Mures County	Peris research and production institute for hog raising	III	IV	I
Avrig research and production station for hog raising	Avrig Commune, Sibiu County	"	III	IV	I
Oarja research and production station for hog raising	Oarja Commune, Arges County	"	III	IV	I
Focsani research and production station for hog raising	Slobozia Commune, Ciorasti, Vrancea County	Peris research and production institute for hog raising	III	IV	I
Let research and production station for hog raising	Borosneu Mare Commune, Covasna County	"	III	IV	III
Fierbinti research and production station for hog raising	Fierbinti-Tirg Commune, Ialomita County	"	III	IV	I
Balotesti research and production institute for poultry and small animal raising *	Balotesti Commune, Ilfov agricultural sector	Poultry production central	II	IV	I

* It is organized on the structure of a center for research and production.

Appendix 2 (cont)

<u>Name of Unit</u>	<u>Headquarters</u>	<u>Organ to which it is subordinate</u>	<u>Pay Level</u>	<u>Group of Branches</u>	<u>Degree of Organization</u>
Tirgu Mures research and production station for fur-bearing animals	Tirgu Mures Municipality, Mures County	Balotesti research and production institute for poultry and small animal raising	III	IV	III
Brasov research and production institute for natural steppe vegetation crops	Brasov Municipality, Brasov County	Zooveterinary general economic directorate	II	IV	II
Arges research and production station for natural steppe vegetation crops	Pitesti Municipality, Arges County	Research and production institute for natural steppe vegetation crops	III	IV	III
Timisoara research and production station for natural steppe vegetation crops	Timisoara Municipality, Timis County	"	III	IV	III
Vaslui research and production station for natural steppe vegetation crops	Vaslui Municipality, Vaslui County	"	III	IV	III
Voluntari center for research and biological preparations for poultry and small animals	Voluntari Commune, Pasteur Institute for Ilfov Agricultural veterinary research sector and biological preparations		II	IV	I

For research and production units which are organized in accordance with this decree, 180 people with higher studies may be utilized in addition to existing personnel for research activity.

1. It is organized on the structure of a center for research and production
2. It is organized as a unit without legal personality by processing activities and appropriate material base from the laboratory for poultry tumoral viruses under the central for poultry production, as well as the research laboratory for poultry diseases and the laboratory for vaccine production for poultry and small animals within the Pasteur Institute for veterinary research and biological preparations and its purpose of activity is to do research on disease in poultry and small animals, to produce and check vaccines and diagnostic sets used in poultry and small animals and to produce and check poultry and small animals free of specific pathogenous germs.

Appendix 2A: Purpose of Activity of the Research and Production Units Established in
 Accordance With Article 7

<u>Name of Unit</u>	<u>Purpose of Activity</u>
Dulbanu research and production station for cattle raising	Does research in the area of cattle raising for breeds and zones established. Achieves goals of research in the programs of selection on the quality breeds farms; it applies its own technological solutions for operations on the bases and it produces and delivers breeding material. It provides for application of the research results in the production units.
Dancu research and production station for cattle raising	"
Margineni research and production station for cattle raising	It does research in the area of cattle raising for breeds and zones established. It achieves goals of research in the programs of selection on the quality breeds farms; it applies its own technological solutions for operations on own bases and it produces and delivers breeding material. It provides for application of the research results in the production units.
Mures research and production station for cattle raising	"
Sercaia research and production station for water buffalo	"
Palas research and production institute for sheep and goat raising	It does research to improve breeds of sheep and goats and establishes operating techniques to increase the quality and production of meat, milk, wool and skins. It coordinates research activity done in the stations. It organizes and is responsible for activity to produce biological material for the quality breeds and it delivers from its own production reproduction little rams and lambs for units in Romania and for the population's farms. It provides for application of research results in the production units. It coordinates and is responsible for activity which tests the reproducers and the production of frozen semen in the area of sheep and goat raising.

Appendix 2A (Cont)

<u>Name of Unit</u>	<u>Purpose of Activity</u>
Carei research and production station for sheep raising	It does research in the area of sheep raising for the breeds and zones established. It achieves research goals from the selection programs on the quality breeds farms; it applies its own technological solution for operation on own farms and produces and delivers breeding material. It provides for application of the research results in the production units in the zone established.
Uzunu research and production station for sheep raising	"
Secuieni research and production station for sheep raising	"
Bilciuresti research and production station for sheep raising	"
Caransebes research and production station for sheep raising	"
Reghin research and production station for sheep and goat raising	It does research in the area of sheep and goat raising for the zones and breeds established. It achieves research goals from the selection programs on the quality breeds farms; it applies technological solutions for operation on the bases and produces and delivers breeding material. It provides for application of research results in the production units in the zone established.
Peris research and production institute for hog raising	It does research to improve hog breeds and establishes operating techniques to increase meat production. It coordinates the research activity done in the stations. It organizes and is responsible for activity to produce quality breeds of hogs and delivers breeding baby boar and sows for hog breeding farms in Romania and reproduction sows for cross-breeding farms. It provides for application of the research results in the production units. It coordinates and is responsible for activity to test the reproducers and production of frozen semen in the area of hog raising.
Gornesti research and production station for hog raising	It does research to improve hog breeds and it establishes operating techniques to increase meat production for the breeds and in the zone established. It produces and delivers biological breeding material. It provides for application of research results in the production units.

Appendix 2A (cont)

<u>Name of Unit</u>	<u>Purpose of Activity</u>
Avrig research and production station for hog raising	It does research to improve hog breeds and it establishes operating techniques to increase meat production for the breeds and in the zone established. It produces and delivers biological breeding material. It provides for application of research results in the production units.
Oarja research and production station for hog raising	"
Focsani research and production station for hog raising	"
Let research and production station for hog raising	"
Fierbinti research and production station for hog raising	It does research to improve poultry breeds (hens, turkeys, ducks, geese) and small animals and establishes operating techniques to increase meat, egg and fur production. It produces more productive hybrids. It coordinates research activity done in the stations. It produces and delivers biological material of highly productive value. It provides for application of research results in the production units.
Balotesti research and production institute for poultry and small animal raising	It does research to improve the breeds of fur-bearing animals. It works out raising techniques to increase production and quality of the furs. It provides for application of research results in the units and delivers biological breeding material.
Tirgu Mures research and production station for fur-bearing animals	It does research to produce natural steppe vegetation with higher production of fodder mass with high nutritional content. It produces new varieties of fodder crops. It coordinates research activity being done in the stations. It works out techniques for improvement and rational exploitation of the natural steppe vegetation. It is responsible jointly with the county enterprises for improvement and exploitation of the natural steppe vegetation and for complete provision of the fodder crop seeds needed to improve natural steppe vegetation throughout the country and it produces seeds from superior biological links. It provides for application of research results in the units in the zone established.
Brasov research and production institute for natural steppe vegetation crops	

Appendix 2A (Cont)

<u>Name of Unit</u>	<u>Purpose of Activity</u>
Arges research and production station for natural steppe vegetation crops	It does research to produce natural steppe vegetation with higher production of fodder mass with high nutritional content and to create new varieties of fodder crops. It works out techniques for improvement and rational exploitation of the natural steppe vegetation in the zone established. It produces seeds from biological superior links. It provides for application of research results in the units in the zone established.
Timisoara research and production station for natural steppe vegetation crops	"
Vaslui research and production station for natural steppe vegetation crops	"

Appendix 3: List of Units Changing Their Name, Headquarters, Subordination, Purpose of Activity, According to the Case

<u>Old Name</u>	<u>Old head- quarters</u>	<u>New Name</u>	<u>New head- quarters</u>	<u>Subordination</u>	<u>Purpose of Activity</u>
Research in- stitute for bull raising	Corbeanca Com- mune, Ilfov ag- ricultural sec- tor	Balotesti re- search and production institute for cattle raising--small institute	Balotesti Com- mune, Ilfov agricultural sector	Zooveterinary pen- sional economic director	Does research in area of improving breeds and rais- ing techniques for cattl Hears selection programs on the quality-breeding farms. Coordinates the activity done in the sta- tions. Produces, utilizes biological material for re- production and other animal and vegetable products. Pro- vides application of research results in production units. Coordinates and is responsi- ble for activity testing re- producers and for production of frozen semen in cattle raising
Tirgu Mures zootechnical research station	Tirgu Mures municipality, Mures County	Tirgu Mures research and production station for cattle raising	---	Balotesti research and production institute for cattle raising	Does research in area of cattle raising for breeds, zones established. Fulfills research goals in selection programs on quality breeding farms; applies technological exploitation solutions on its own bases; produces, delivers breeding material. Provides application of re- search results in production units.

Appendix 3 (cont)

<u>Old name</u>	<u>Old head- quarters</u>	<u>New Name</u>	<u>New head- quarters</u>	<u>Subordination</u>	<u>Purpose of Activity</u>
Maramures Zootechnical Research station	Sighetu Mar- matiei Municipi- pality, Mara- mures County	Sighetu Mar- matiei research and production station for cattle raising	---	Balotesti Research and production in- stitute for cattle raising	Does research in area of cattle raising for breeds, zones established. Fulfills goals of research in selection programs on quality breeding farms; applies technological ploitation solutions on own bases; produces and delivers breeding material. Provides application of research results in pro- duction units.
Jucu zootech- nical research station	Jucu Commune, Cluj County	Jucu research and production station for natural steppe vegetation crops	---	Brasov research and production institute for natural steppe vegetation crops	Does research to obtain natural steppe vegetation with high production of fodder mass, with high nutritional content and to create new varieties of fodder crops. Works out techniques to improve and have rational exploi- tation of natural steppe vegetation in the zone es- tablished. Produces seeds of superior biological links. Provides application of re- search results in units of the zone established.

Appendix 3 (cont)

<u>Old Name</u>	<u>Old head- quarters</u>	<u>New Name</u>	<u>New head- quarters</u>	<u>Subordination</u>	<u>Purpose of Activity</u>
Rusetu zoo- technical re- search station	Rusetu Com- mune, Buzau County	Rusetu research and production station for sheep raising	---	Palas research and production insti- tute for sheep and goat raising	Does research in sheep raising for breeds, zones established; fulfills re- search goals in selection programs on quality breed- ing farms; applies techno- logical exploitation solu- tions on its own bases; produces, delivers breeding material. Provides applica- tion of research results in production units of zone established.
Cristian zoo- technical re- search station	Cristian Com- mune, Sibiu County	Cristian research and production station for sheep and goat raising	---	Palas research and production insti- tute for sheep and goat raising	Does research in sheep, goat raising for breeds, zones established; fulfills research goals in selection programs on quality breed- ing farms; applies techno- logical exploitation solu- tions on own bases; produces breeding material; provides application of research re- sults in production units of zone established.
Popauti zoo- technical re- search station	Rachiti Com- mune, Botosani County	Popauti research and production station for sheep raising	---	Palas research and production insti- tute for sheep and goat raising	Does research in sheep raising for breeds, zones established; fulfills goals in selection programs on quality breed- ing farms; applies technologi- cal exploitation solutions on own farms; provides applica- tion of research results in production units of zone established. Produces breed- ing material.

Appendix 3 (cont)

<u>Old Name</u>	<u>Old head- quarters</u>	<u>New Name</u>	<u>New head- quarters</u>	<u>Subordination</u>	<u>Purpose of Activity</u>
Research in- stitute for beekeeping	Bucharest Municipality	Research and production in- stitute for beekeeping, Bucharest-- small institute	---	Bee-raising farms association of the Socialist Republic of Romania	Does research in area of beekeeping: bee genetics and improvement, tech- nique for raising bees, honey-bearing resources and polinization of plants; bee health protection, su- perior utilization of bee products, designing of installations and equip- ment for beekeeping. It produces and delivers biological material for re roduction, therapeutic preparations for beekeeping use, therapeutic bee products.
Pasteur insti- tute for vet- erinary research and biological preparations	Bucharest Municipality	---	---	Zooveterinary gen- eral economic directorate	---
Veterinary health central labora- tory for diag- nostics*	Buch- arest Municipality	---	---	Pasteur institute for veterinary re- search and biological preparations	

* Preserves its current financing system.

Appendix 3 (cont)

<u>Old Name</u>	<u>Old head- quarters</u>	<u>New Name</u>	<u>New head- quarters</u>	<u>Subordination</u>	<u>Purpose of Activity</u>
National cen- ter for rais- ing and qual- ifying tho- roughbred horses	Bucharest Municipality	National center for raising horses and qual- ifying thorough- breds	---	Zooveterinary gen- eral economic dir- ectorate	Responsible for propagation and development of horses throughout country. Does research to improve breeds of horses for work and sports. Tests perform- ances of horses obtained in activity of improvement and produces and delivers breeding material. Organi- zes horse races on basis of regulations for horse racing approved by Ministry of Agriculture and the Food Industry.
National cen- ter for animal reproduction and selection* sector	Balotesti Com- mune, Ilfov	---	---	Zooveterinary gen- eral economic dir- ectorate	---
Central sta- tion for pro- duction and research for sericulture	Bucharest Municipality	---	---	Zooveterinary gen- eral economic dir- ectorate	---
Central lab- oratory for checking foods of animal origin*	Bucharest Municipality	---	---	Zooveterinary gen- eral economic dir- ectorate	---

* Preserves its current financing system.

Appendix 3 (cont)

<u>Old Name</u>	<u>Old head- quarters</u>	<u>New Name</u>	<u>New head- quarters</u>	<u>Subordination</u>	<u>Purpose of Activity</u>
Central laboratory for scientific control of biological products and veterinary drugs	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Enterprise for disinfection and rat and insect control	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Prodan enterprise	Bucharest Municipality	---	---	Zooveterinary general economic directorate	---
Enterprise for testing mune, Ilfov reproducers and agricultural production of frozen semen, Semtest	Balotesti Commune, Ilfov	---	---	Balotesti research and production institute for cattle raising	---

* They keep their current financing system

Appendix 4: List of Units Being Abolished

<u>Unit Name</u>	<u>Headquarters</u>	<u>Subordination</u>	<u>Unit Taking Over Activity</u>
Central research station for hog raising	Peris Commune, Ilfov agricultural sector	Academy of Agricultural and Silvicultural Sciences	Peris research and production institute for hog raising, Ilfov agricultural sector
Central station for poultry research	Balotesti Commune, Ilfov agricultural sector	Academy of Agricultural and Silvicultural Sciences	Balotesti research and production institute for poultry and small animal raising, Ilfov agricultural sector
Brasov central research station for natural steppe vegetation crops	Brasov Municipality, Brasov County	Academy of Agricultural and Silvicultural Sciences	Brasov research and production institute for natural steppe vegetation crops, Brasov County
Palas central research station for sheep raising	Constanta Municipality, Constanta County	"	Palas research and production institute for sheep and goat raising, Constanta County
Mures state agricultural enterprise	Arad Municipality, Arad County	Arad state agricultural enterprises trust	Mures research and production station for cattle raising, Arad County
Oarja state enterprise for hog raising and fattening	Oarja Commune, Arges County	Arges state agricultural enterprises trust	Oarja research and production station for hog raising, Arges County
Let state enterprise for hog raising and fattening	Borosneu Commune, Covasna County	Covasna state agricultural enterprises trust	Let research and production station for hog raising, Covasna County
Gornesti state enterprise for hog raising and fattening	Gornesti Commune, Mures County	Mures state agricultural enterprises trust	Gornesti research and production station for hog raising, Mures County

Appendix 4 (cont)

<u>Unit Name</u>	<u>Headquarters</u>	<u>Subordination</u>	<u>Unit Taking Over Activity</u>
Avrig state enterprise for hog raising and fattening	Avrig Commune, Sibiu County	Sibiu state agricultural enterprises trust	Avrig research and production station for hog raising, Sibiu County
Focsani state enterprise for hog raising and fattening	Focsani Municipality, Vrancea County	Vrancea state agricultural enterprises trust	Focsani research and production station for hog raising, Vrancea County
Niculesti state enterprise for hog raising and fattening	Niculesti Commune, Dimbovita County	Dimbovita state agricultural enterprises trust	Peris research and production institute for hog raising, Ilfov agricultural sector

Appendix 7: List of Amendments to Appendix 5 of Council of State Decree No 208/1979 on the Organization and Operation of the Ministry of Agriculture and the Food Industry

List of Units Under the Ministry of Agriculture and the Food Industry

A. Units Directly Under the Ministry of Agriculture and the Food Industry

I. Centrals and Other Similar Units

The text of positions 1-5 are to have the following content:

1. The central for utilization of grains and technical plants Bucharest Municipality

Organizes the contracting, takeover, storage and utilization of grains, technical crops and vegetable crops for the state reserves and fodder reserves; it administers the state grain reserves; it provides delivery of products from its area of activity for export; it insures and is responsible for activity of port operations for the import and export in its area of activity.

2. Flax, hemp and cotton trust

Bucharest Municipality

Contracts, organizes and guides production of seeds and stalks of hemp and flax and cotton production; provides the material-technical base needed for this production, it carries out activity of research on the cotton crop and primary processing of textile crops as well as introduction of advanced techniques into the production process; it processes the production of fibers, hemp, flax, cotton and hemp, flax and cotton seed.

3. Plafar Trust

Bucharest Municipality

Provides for contracting, acquisition, production and utilization of medicinal plants, aromatic crops from spontaneous flora, poppy and mustard, to provide the drug industry, cosmetics products, market fund and other domestic and foreign beneficiaries with medicinal and aromatic plants from spontaneous flora, poppies and mustard.

Zooveterinary General Economic Directorate

4. Trust of enterprises for combined fodder production
Bucharest Municipality
Organizes the production of sale of combined fodder as well as production and sale of corn seeds; it provides the production of protein-vitamin-mineral (pvm) concentrates of specific premixes for intervention and the improvement of manufacturing techniques; it provides the development of the industry for producing combined feeders correlated with the zootechnical development program.

5. The Poultry production central
Bucharest Municipality
Organizes the production, research, industrialization and utilization of products in the area of poultry and small animal raising.

II. Enterprises and Other Similar Units

<u>Name</u>	<u>Location</u>	<u>Headquarters</u>	<u>County</u>
State commission for Research and Homologation of Varieties	Bucharest Municipality		--
Central laboratory for phytohealth quarantine	"		--
Prodexport foreign trade enterprise	"		--
Fructexport foreign trade enterprise	"		--
Vinexport foreign trade enterprise	"		--
Romagrimex foreign trade enterprise	"		--
International automobile transport enterprise	"		--
Computer and information systems center	"		--
Special center for improvement of vocational training of cadres in Baneasa agriculture	"		--
Center for improvement of economic-administrative cadres in Dobrostea cooperative agricultural units	Merisani Commune		Arges
Center for teaching material and agricultural propaganda	Bucharest Municipality		--

Appendix 7 (cont)

Zooveterinary General Economic Directorate

- | | | | |
|-----|---|------------------------|---------------------------|
| 12. | National center for animal reproduction and selection | Balotesti Commune | Ilfov agricultural sector |
| 13. | National center for horse raising and qualifying of thoroughbreds | Bucharest Municipality | |
| 14. | Central station for sericulture production and research | " | |
| 15. | Central laboratory for control of foods of animal origin | " | |
| 16. | Central laboratory for scientific control of biological products and veterinary drugs | " | |
| 17. | Enterprise for disinfection, rat and insect control | " | |
| 18. | Protan Enterprise | " | |
- B. Enterprises and Other Units of Legal Personality Under Centrals and Other Units Directly Under the Ministry of Agriculture and the Food Industry

The following title is introduced following position 40: "Zooveterinary general economic directorate."

The title "Department of State Agriculture" is replaced with the title "Zooveterinary General Economic Directorate" following positions 111.

Appendix 8--Excerpts: List of changes to Appendices Nos 3 and 4 of Council of State Decree No 32/1980 on the Organization of General Directorates for Agriculture and the Food Industry in Counties and Bucharest Municipality as well as State and Cooperative Limited Agroindustrial Councils, With Amendments Made by Council of State Decrees Nos Nos 167 and 168/1980 and No 70/1981

Appendix 3: Enterprises and other similar units under the general directorates for agriculture and the food industry through trusts in them:

A. Through trusts of the state agricultural enterprises

- II. Arad state agricultural enterprises trust: Position 8 cancelled
- III. Arges state agricultural enterprises trust: Position 6 cancelled
- XIV. Covasna state agricultural enterprises trust: Position 4 cancelled
- XV. Dimbovita state agricultural enterprises trust: Position 8 cancelled
- XXIV. Mures state agricultural enterprises trust: Position 4 cancelled
- XXIX. Sibiu state agricultural enterprises trust: Position 3 cancelled
- XXXVI. Vrancea state agricultural enterprises trust: Position 3 cancelled.

Appendix 4: List of enterprises and other similar units under the Ministry of Agriculture and the Food Industry, departments, general economic directorates, centrals and trusts as well as the Academy of Agricultural and Silvicultural Sciences which also are under the general directorates for agriculture and the food industry

Arad County:

- 16. Mures research and production station for cattle raising Arad Municipality Balotesti research and production institute for cattle raising

Position 14 to Appendix 3 to Council of State Decree No 167/1980, completing Appendix 4 to Council of State Decree No 32/1980, becomes position 15.

Arges County:

- 13. Oarja research and production station for hog raising Oarja Commune Peris research and production institute for hog raising
- 14. Pitesti research and production station for natural steppe vegetation crops Pitesti Municipality Brasov research and production institute for natural steppe vegetation crops

Bacau County:

- 12. Seculeni research and production station for sheep raising Seculeni Commune Palas research and production station for sheep and goat raising

Appendix 8--excerpts (cont)

Botosani County:

10. Pobauti research and production station
for sheep raising

Rachiti Commune Palas research and production institute
for sheep and goat raising

Brasov County:

14. Brasov research and production institute
for natural steppe vegetation crops
16. Sercaia research and production station
for water buffalo raising

Brasov Municipality Zooveterinary general economic directorate
Sercaia Commune Balotesti research and production institute
for cattle raising

Buzau County:

14. Rusetu research and production station
for sheep raising
16. Dulbanu research and production station
for cattle raising

Rusetu Commune Palas research and production institute
for sheep and goat raising
Amaru commune Balotesti research and production institute
for cattle raising

Caras-Severin County:

9. Caransebes research and production station
for sheep raising

Caransebes City Palas research and production institute
for sheep and goat raising

Cluj County:

13. Jucu research and production station
for natural steppe vegetation crops

Jucu Commune Brasov research and production institute
for natural steppe vegetation crops

Constanta County:

15. Palas research and production institute
for sheep and goat raising

Constanta Municipality Zooveterinary general economic directorate

Covasna County:

13. Let research and production station
for hog raising

Borosneu Mare Commune Peris research and production institute
for hog raising

Dimbovita County:

13. Bilciuresti research and production
station for sheep raising

Bilciuresti Commune Palas research and production institute
for sheep and goat raising

Giurgiu County:

13. Uzunu research and production station
for sheep raising

Calugareni Commune Palas research and production institute
for sheep and goat raising

Appendix 8--excerpts (cont)

Ialomita County:

14. Fierbinti research and production station Fierbinti
for hog raising Commune Peris research and production institute
for hog raising

Iasi County:

16. Dancu research and production station Holboca
for cattle raising commune Balotesti research and production institute
for cattle raising

Maramures County:

8. Sighetu Marmatiei research and production Sighetu
station for cattle raising Marmatiei
Municipality Balotesti research and production institute
for cattle raising

Mures County:

14. Tirgu Mures research and production Tirgu Mures
station for cattle raising Municipality Balotesti research and production institute
for cattle raising
18. Reghin research and production sta- Reghin City Palas research and production institute
tion for sheep and goat raising
19. Gornesti research and production sta- Gornesti Peris research and production institute
tion for hog raising Commune for hog raising
20. Tirgu Mures research and production Tirgu Mures Balotesti research and production institute
station for fur animals Municipality for poultry and small animal raising

Neamt County:

13. Margineni research and production sta- Margineni Com. Balotesti research and production institute
tion for cattle raising Commune for cattle raising

Satu Mare County:

14. Carei research and production station Carei City Palas research and production institute
for sheep raising for sheep and goat raising

Sibiu County: Position 13 in Appendix 13 to Council of State Decree No 168/1980, completing Appendix 4 to
Council of State Decree No 32/1980, becomes position 14.

14. Cristian research and production station Cristian Commune Palas research and production institute
for sheep and goat raising for sheep and goat raising

15. Avrig research and production station Avrig Commune Peris research and production institute for
for hog raising hog raising

Appendix 8--excerpts (cont)

Timisoara County:

16. Timisoara research and production station for natural steppe vegetation crops

Timisoara Municipality Brasov research and production institute for natural steppe vegetation crops

Vaslui County:

13. Vaslui research and production station for natural steppe vegetation crops

Vaslui Municipality Brasov research and production institute for natural steppe vegetation crops

Vrancea County:

9. Focsani research and production station for hog raising

Slobozia-Clorastii Commune Peris research and production institute for hog raising

Bucharest Municipality:

26. Research and production institute for beekeeping
32. Balotesti research and production institute for cattle raising
33. Balotesti Institute for animal biology and nutrition
35. Peris research and production institute for hog raising
36. Balotesti research and production institute for poultry and small animal raising

Bucharest Municipality Beekeepers' Association
Balotesti Commune, Ilfov agricultural sector Zooveterinary general economic directorate
Balotesti Commune, Ilfov agricultural sector Zooveterinary general economic directorate
Peris Commune, Ilfov agricultural sector Zooveterinary general economic directorate
Balotesti Commune, Ilfov agricultural sector Central for poultry production

Positions Nos 26 27, 28 and 29 of Appendix 27 to Council of State Decree No 70/1981, completing Appendix 4 to Council of State Decree No 32/1980, become positions Nos 28, 29, 30 and 31.

ECONOMIST DISCUSSES CONTROVERSY OVER ECONOMIC POLICY

Belgrade SOCIJALIZAM in Serbo-Croatian No 6, Jun 81 pp 914-929

[Article by Aleksander Bajt: "The Economic System and the Effectiveness of Socialist Self-Management (Causes of Our Economy's Unsatisfactory Results)"]

[Text] It was obvious during 1979 that something was wrong with our economy. The payments deficit became so large that it was augmenting our foreign indebtedness beyond our abilities to pay the interest and repay the principal. The country became accustomed to spending considerably more than the product it produced. It became obvious that something had to be done, something very radical. Opinions were divided on what that something should be.

The aggravation of relations in 1979 was caused in large part by the rise in the price of petroleum on world markets in 1973 and in late 1979. There was room, then, at least in principle, for the assessment that the adverse economic situation was the consequence of external factors and that there was a need for appropriate adaptation of the domestic economy: in more specific terms, for substitution of imported petroleum by domestic sources of energy and for a corresponding reduction of total spending to bring relations into line. Such assessments were in fact made. We also think that timely raising of the prices of petroleum derivatives and other measures toward substitution of imported petroleum by domestic sources would have prevented the gigantic growth of the deficit and would at the same time have mitigated certain structural problems (the orientation toward motorization and the excessively rapid development of industries related to motorization, along with investments in highways). Yet the economy, as it has several times in the past, would sooner or later have fallen into a recession even without the rise in the price of petroleum. The deficit in the balance of payments would have experienced a considerably smaller growth, but it still would have reached a high level. Much like the development after 1956, 1962 and even 1968, the rapid economic development after 1976 bore within it all the well-known elements of inevitable crisis, just as capital investments swelled, personal consumption expanded, and, since ex ante savings were inadequate, inflation became increasingly difficult to stifle. The fact that it was "enriched" by an additional destabilizer, the exceptional expansion of spending for nonproductive purposes (as a consequence of expansion of the administration in the economy and, above all, in the social services and the government at all levels), did not alter the essence of the problem. The rise of prices on world

markets only worsened a situation that was already difficult. Had that not occurred, the recession in 1980 would have been similar to those in 1961, 1965, and 1966-67, caused above all by restrictions, by restricted demand, but not by interruption of flows of reproduction within production itself, that is, on the supply side, which was a specific feature of 1980 and the following year. Had it not been for that, much like the previous ones, the recession would have been shorter. The end of the present recession is not in sight at this hour. It is not to be determined by reduction of nominal expenditure, but only by an accompanying contraction of real expenditure within the limits of the real social product.

In other words, when we assert that something is wrong with our economy, then we can agree that the cause of the troubles is the unsatisfactory manner in which we conduct our economic activity. Even if the present problems had been altogether brought about by external factors, the cause of our difficulties would be the economy's inability to adapt to the altered external conditions of economic activity.

I believe that the level of consensus on this observation is such that no further arguments are needed to support it. The degree of ascent diminishes essentially, or even disappears, when we undertake to identify those links in the mode of economic activity which have failed. To be sure, E. Barone, L. Mises, Fr. Hayek and others have argued that the socialist economic system is a priori incapable of functioning successfully because private ownership has been abolished. Many present-day economists, not sufficiently well known or authoritative for us to refer to them by name, even feel that the self-management form of socialism, not merely the socialist economy in general, is incapable of yielding results which might be compared with those of capitalistic economies. Though we do not share the opinion of the self-management idealists, among whom is J. Vanek, for example, who hold that a self-managing economy, because of its social characteristics, a priori is more economically efficient than capitalistic economies, which is especially doubtful in a less developed country, we nevertheless feel that a self-managing economy (like any other economy) can under certain conditions function successfully and can even yield the best economic results under favorable circumstances. We therefore are not entering into the question of the a priori ability or inability to function of a socialist economy and a self-managing socialist economy in particular. That is, from our point of view it is given, given moreover not as a model, but historically.

The only relevant judgment as to whether some historically given economy can function satisfactorily is pronounced by practice, that is, by the results of its economic activity. According to certain of its results, especially on the basis of the growth rate of the social product, and especially the growth rate of industrial output, the Yugoslav economy, as the only historically given self-managing economy, was for many years at the very top of the world ranking of economically successful countries. Can the latter half of the fifties, with the large expansion of agricultural production, and the first half of the sixties, with the large expansion of industrial output, be taken as evidence that a self-managing socialist economy is more effective than other economies? Though many economists have drawn such conclusions, they are non sequiturs by definition.

Those years provide evidence that the mode of economic activity introduced in 1956 and thereafter was more successful than the previous administrative direction of the economy on the basis of central planning, but only pertaining to our specific application of that direction in that period and under the specific external conditions of that time (the Cominform), and nothing more than that. As self-management developed, the macroeconomic results of the Yugoslav economy became better and better, but that trend slowed down at the beginning of the seventies. A. Sapir, in the prestigious *ECONOMIC JOURNAL*, put the question in the title of his article on the Yugoslav economy: "What Happened to the Yugoslav Miracle?" Since post hoc does not signify propter hoc as well, the present lower growth rates cannot be regarded as a consequence of self-management's development, and still less an expression of the inherent inability of a socialist economy to function effectively. Economic growth, and indeed other characteristics of economic and social development, are determined by numerous factors, both endogenous (those decided upon by decisionmakers in the economy themselves) and exogenous (those on which decisionmakers in the economy have no influence: for example, natural resources or world prices). In the absence of a knowledge of these factors, when their contributions to economic development are not quantified, it makes no sense to compare different economies. Is the mode of our economic activity less successful owing to the fact that the higher price of petroleum transferred a large portion of our social product into the pockets of petroleum producers, which diminishes the available product? In other words, practice, as a criterion of theory, in this case of socioeconomic models, does not furnish unambiguous answers. A thorough scientific analysis of the factors determining the results of economic activity is needed.

No one has even undertaken to analyze the factors that determine the results of economic activity, much less carried it out. It goes without saying that it could not be the subject of a brief article like this one, whose purpose is to indicate the directions in which the research of economic science and the efforts of economic policy should be directed. To that end we shall offer a survey of the assessments to date of the reasons for the unsatisfactory functioning of the Yugoslav economy, we shall compare them to one another, we shall see what is sensible in them and what is not sensible, which assessments are actually mutually contradictory and which only appear to be as a consequence of insufficient precision in expression and a terminology that has not been sufficiently developed, and on that basis we shall attempt to furnish our own assessment of the directions in which efforts should be concentrated in order to improve the manner in which we carry on economic activity.

The Economic and Socioeconomic System

Most of the debate about the causes of the unsatisfactory economic results has been devoted to the system. Many economists judge that our economic system is no good, that it is the cause of the economy's unsatisfactory results. It is not defective because of certain adverse circumstances of an external or internal nature preventing it from demonstrating its effectiveness, but because of its inherent incapacity. Under the impact of all external or internal conditions, whatever they might be, it suboptimizes economic results, transforms potentially excellent results into average results, and potentially average results into poor results or even very poor results. In the opinion of Branko

Horvat, the present unfavorable economic situation "is inevitably the result of a number of blunders in building our economic system,"¹ while Ljubomir Madzar says "that in building our economic system ... it seems that we have not been fortunate."² To be sure, the two of them belong to the same house. But similar themes can also be heard from quite different houses. According to Aleksandar Vacic, "our present economic system has not been fully worked out ..., it has not been sufficiently articulated in economic terms."³ Opinions like these are not isolated, exceptional and singular. The message sent by a large conference of Yugoslav and foreign economists, on the theme "Problems of the Economic System of Self-Management," which was organized by the Montenegrin Academy of Sciences and Arts last September, was essentially the same. We have again been pointing up this problem in the Yugoslav Economic Chamber. As a matter of fact a majority of our articles over the last 2 years have emphasized the inappropriateness of the system and the way in which it might be improved.

When the economic system, the "blunders in building it," are criticized, this does not mean that one starts from the premise that the object of the criticism is a system which has been fully erected and which, because of "blunders in its construction," cannot perform the function intended for it. In actuality there is no fully rounded-out system with such characteristics. There do exist individual instruments, but with respect to the impact which they are supposed to have, they are not connected to one another, and their intensity is such that their influence on the economy is in many cases in the opposite direction from what was anticipated. To illustrate, we will take interest rates, the price which must in our system be paid by the seller rather than the purchaser of a commodity. The main objection to the system is based on the fact that it has not in fact been built, that the necessary attention has not been paid to setting it up, and that it is omissions of this type that are the essence of the "blunders in building" the system. Given the abundance of other work to do, preoccupied with work in other domains, we have simply omitted to complete the construction of the economic system. This job has not yet been taken to the end either with the Law on Associated Labor nor with the laws embodying the system which were supposed to give it concrete shape. To the extent that those laws introduce certain instruments, they introduce them in the background, they are preoccupied with more primary interests, and for that reason alone we cannot expect them to be systematic. However, even taken individually and altogether in isolation, regardless of their place in combined action with other instruments, they are not as a rule satisfactory. Minimum accumulation, which is introduced by the Law on Associated Labor, I have already cited as an example in a previous article.⁴ One can therefore understand why these laws also become an object of criticism, why Zoran Pjanic feels that "without disputing what is good in the laws embodying the system, they should be subjected to serious analysis, beginning with the Law on Associated Labor."⁵ My assessment of the Law on Associated Labor, back when it was enacted, was that in what we might call its enforceable provisions it inadequately safeguarded the economic realization and reproduction of its own fundamental socioeconomic foundations, social ownership above all. Ivan Maksimovic has taken a critical attitude toward the laws embodying the system from precisely that viewpoint. "Social ownership ... presupposes incorporation of a number of normative elements into the system." However, "not one of those elements has been worked out adequately in terms of the system."⁶

At the very beginning of the present debate concerning the Yugoslav economic system, in particular that debate which was started last fall by DUGA and EKONOMSKA POLITIKA, there were certain misunderstandings which do not contribute to straightening out relations in our economy. As we see it, those misunderstandings occurred because of a reluctance to go to the heart of the argument because of the specific approach which our economists take to economic problems and also because the terminology used in our socioeconomic life is not sufficiently differentiated. In the eyes of many those who stress the need for additional work on our economic system or indeed even its revision were seen as initiating a discussion of the foundations of our socioeconomic system, social ownership and self-management. However, the economic system is one thing, and the socioeconomic system another. By the economic system we mean the mechanism whereby the socioeconomic system, that is, the system of socialist self-management, functions, and that mechanism includes not only the market, but also the mechanisms for social guidance of development, both direct (administrative-planning) as well as indirect (the instruments of economic policy). In many cases the concept of the economic system is even confined to this latter, the system of instruments of economic policy, the desire being to emphasize the specific nature of this manner of guidance by contrast with administrative and planned guidance of development, but also by contrast with the free operation of market forces.

The foundations of our socioeconomic system were not put on the agenda in any phase of the discussion of the Yugoslav economic system. They were accepted as a premise, as the point of departure of the debate, moreover *verbis expressis*. Yugoslav economists, both as a body and each individually, identify with the system of socialist self-management to such an extent that that ought to be clear even without explicit statement to that effect. When the system is being criticized, and that means the economic system, or, still more definitely, the system of economic policy instruments, it is being criticized because its inappropriateness is preventing the socioeconomic system which is the most progressive in social terms from affirming itself as also the most effective in economic terms.

In order to avoid misunderstandings, economists try to be precise about the nature of the economic system which should undergo revision. That was the purpose of coining such terms as "instrumentalization of our system" or its "operationalization" and "parametrization." Certainly these are not equivalent concepts. The system, and here we mean the socioeconomic system, should be made operational, that is, capable of operating effectively. That is what is meant by its operationalization. And that is achieved by introducing instruments of economic policy whereby the decentralized decisionmaking in organizations of associated labor, which by their nature are guided by their own criteria as economic entities, criteria such as income, will be guided toward attainment of the social optimum both in the domain of division (distribution--social ownership) and also use (allocation--growth) of the social product. When the instruments of the economic system are quantified, measured out in doses, that is, when their intensity has been defined (for example, the level of the tax rate, the discount rate, the specific rate of exchange of the dinar, and the like), then from the standpoint of the economy they are operative as parameters in its decisionmaking, and in that sense they supplement market parameters such as prices, interest

rates and others. In their operative effect instruments are always parametrized, even when economic policy makes no decision on that point, that is, when no one is concerned about their parametrization. In other words, if we do not advocate parametrization of the economic system, then that means that we want to impart to the instruments of the economic system such intensity that they will be brought into quantitative relations with one another that will guarantee both distributive (social ownership) and allocational effectiveness of the economy (rapid growth).

In a desire to avoid misunderstandings concerning their proposals as to how the system should be improved, some economists, France Cerne above all, are more and more referring to the economic "mechanism." The purpose is to emphasize that it is the mechanism of the system, rather than the system itself, which needs to be improved further and indeed needs to be revised.

Perhaps it would be more correct if the term "mechanism" were not confined to its normative side. As a matter of fact, the mechanism of the system is determined by many factors, including the normative system (= the system of economic policy instruments). However, that is not essential to our line of argument.

Institutionalization of the Economic System

Operationalization of the economic system, which, in the opinion of a majority of economists, has been systematically neglected, has, however, enjoyed a very rapid development in another direction, that is, in the direction of institutionalization. That is, out of a desire to make the system of socialist self-management capable of effective operation, the normative enactment to state the constitution and Law on Associated Labor in concrete terms, above all the laws embodying the system, have been setting up institutions and the modes and forms of the system's operation, as well as the organizational characteristics of that operation, including the organizations responsible for operation in particular areas.

The basis of this type of operationalization, that is, operationalization in the sense of institutionalization, is the system of self-management accords and social compacts, as well as income-sharing relations between basic and other organizations of associated labor founded on self-management accords and social compacts. This system has been applied as a uniform, all-inclusive and universal system. In other words, certain of the laws embodying the system, such as the Law on Planning, the Law on Prices, and the Law on Expanded Reproduction, state in concrete terms the universal principles of the system in basic sectors of economic activity. That system is now more or less "rounded out," completed, so that it constitutes a consistent whole.

Though in their appeals for revision of the economic system economists have not been thinking of institutionalization of the laws embodying the system, at least not primarily, that has been precisely the premise on which many reactions have been based. The basic counterargument consists of the observation that the new system has just begun to operate, that in many areas it is just now being introduced, while moreover certain parts have not yet been completed even today. It

is therefore felt that the criticism is at the least premature and therefore improper. One should wait a sufficiently long time to be able to make an objective assessment of its results.

The objection must be honored, but only in part. It is true that certain consequences of introducing some innovation, in this case the new economic system, can be examined only after its lengthy application. It is particularly true that an accurate quantitative assessment of its good points and bad points can be made only after a lengthy time. As a rule balance sheets are drawn up for a period in the past. On the other hand, however, it is obvious that before any innovation, any new economic system, is introduced, an attempt must be made to examine all its possible good and bad points, including an assessment of their dimensions and also the possibility of their occurrence. This is undoubtedly in the interest of the system itself and in the interest of confirming its validity in practice. If this is not done before the innovation is introduced, then it must be done during its introduction, immediately after its introduction, the sooner the better. Criticism of an innovation which is being introduced must be regarded as an integral part of the effort to introduce it and to have it operate satisfactorily in practice. The practice of our knowing only all the bad things about a system being dismantled and only all the good things about a system being introduced, a practice in which the good and bad assessments of the same system follow one upon the other in very short intervals of time--should be labeled not only unscientific, but also politically irresponsible. Every innovation, and especially a new economic system, may suffer a priori from two types of shortcomings. That is why every innovation, especially a new economic system, should be tested in advance for the two types of possible causes of subsequent disappointments. The first are the secondary consequences of introducing the innovation, which as a rule are adverse. The possibility cannot be excluded that secondary adverse consequences may outweigh the outright favorable results. In any case, a balance sheet should be drawn up of both and an examination made of the price which has to be paid in the form of negative effects to achieve the favorable effects of the innovation. The second is the incompleteness of the system relative to the goals which are to be achieved. The system may incorporate a number of necessary conditions for its satisfactory operation, but it is still lacking a sufficient condition. In that case its application to attain the particular goals may signify an attempt with unsuitable means. The system of social compacts and self-management accords is a case that comes under both categories.

With respect to the first it should be said that like any, legal-normative institutionalization (there are, of course, other kinds of institutionalization: even the market, for example, is in essence an institution), the system of social compacts and self-management accords, including the income-sharing relations which are to result from it, presupposes a certain bureaucratization of processes in the conduct of economic activity. The very conclusion of compacts and accords involves certain, to use Marx' terminology, *faux frais* in that system of economic activity. To this we should add the organizational efforts to furnish the physical conditions for concluding the compacts and accords, for maintaining and enforcing them. It is therefore inevitable to include administrative procedures, by contrast with business procedures, and that means administration as well. There has to be monitoring. Every accord is loaded with the

elements of its nonobservance, of failure to adhere to the agreed behavior. The monitoring mechanism may be very expensive, and not only that but ineffective as well. The more principals there are in the individual accords and compacts, the more likely they are to be violated, and the more likely it is that monitoring will be ineffective. As a rule the amount of agreement stands in a negative correlation to its effectiveness.

In the concrete case of the system of social compacts and self-management accords, a more important question is whether the system that is being applied in practice does in fact include a sufficient condition for its effectiveness. The following needs to be said in that connection.

Institutionalization of a system, and here we are referring to the conclusion of social compacts and self-management accords, defines the procedures and organizational forms for concluding compacts and accords, but not the criteria of economic decisionmaking. The decisionmaking of economic entities can itself be guided and determined by normative acts, as a rule by setting the limits in which that decisionmaking can occur. That is the case of administrative economies, economies, for example, of the central planning type. Our institutionalization of the economic system does not determine the conduct of economic activity and the quality and quantity of economic decisions, but the form in which those decisions are made. In principle this form is neutral with respect to the economic decision itself. It not only does not prejudge anything, it does not even wish to prejudge anything. "The economic decision is a matter of the accord or compact." In that sense institutionalization in this form is economically hollow, vague and indifferent. The Law on Planning can serve as a very apt example. It foresees in detail the procedures and organization of self-management planning, but does not mention in a single article the planning methods and the planning criteria, that is, the economic essence of planning. The Law on Prices is similar. To be sure, it does contain certain criteria governing pricing, which makes it appear that it is not subject to the same criticism. However, the criteria are altogether vague, especially in their mutual relations, and to some extent they make no sense whatever (for example, the movement of average labor productivity). What is far more important, the price is a phenomenon which is shaped on the market under the impact of supply and demand, and the setting of any other price, be it based on certain criteria or not, will be harmful to the economy's effectiveness in both allocation and distribution.

If decisionmaking in the form of concluding self-management accords and social compacts is to be economically definite, the institutionalized procedures and forms need to be supplemented with the parameters and criteria of decisionmaking. Otherwise decisionmaking will inevitably be arbitrary and will be chaotic on the scale of the economy as a whole. In a market economy the market offers the basic parameters for the conduct of economic activity, operating on the basis of the material interests of economic entities (entities which are "maximizing their private product") as the criteria of economic decisionmaking. If decisionmaking in economic units is to be as effective as possible, economic policy should promote the operation of the market toward pure competition, which ensures a uniform price, by all available means, including normative acts, and going all the way to purely administrative measures. In addition, if economic

policy is to link decisionmaking together on the basis of market parameters and maximization of income to form an economic system that is effective as a national economy, it must through the instruments of economic policy influence individual economic effectiveness (profitability) in a direction that simultaneously guarantees both distributional (social ownership) and allocational effectiveness (growth of the social product). The first is necessary so that we can call the system socialist, so that the constitutional principles concerning social ownership are not left as empty words on paper, and the second so that the social product will be maximized. Not only the latter, but even the former, is well known even in many highly advanced capitalist countries.

Though the foundations for the opposite line of argument can be found in all our normative acts from the constitution on, it can still be argued that the system of accords and compacts have been conceived and carried out as a substitute for both the market and the economic system in the sense of economic policy instruments. As Aleksandar Vacic put it, "recently a kind of substitution of theses has emerged more and more, a kind of quid pro quo: instead of economically sound parameters, that is, to speak the language of the Law on Associated Labor, bases and scales--either institutions (self-managing communities of interest) or individual self-management acts (self-management accords and social compacts) are offered." Everything that in market economies is determined by the market and, in the present-day market economy. In the opinion of certain economists, this would create a kind of socialist market that would do away with the anarchy of the ordinary "marketplace" market.

The basic question is How, in what way? Economic entities do not enter into the process of concluding self-management accords and social compacts as angels, but as entities that have material interests, out of a desire to fill as big a plate as they can for themselves out of the common pot, and these are moreover entities with widely varying economic and political strength. In the conclusion of compacts and accords, which by their nature are always particular and partial, the stronger will unconditionally get more, and the weaker less, which will be a permanent thing, which will be true even in those cases in which such results would be prevented even by an altogether free ("marketplace") market, without any sort of correction through the instruments of the economic system. What happened last year, and to a considerable extent has been continuing this year, that is, the creation of parallel, "gray," in any case partial, markets, moreover not only in the foreign exchange sector, but above all in dinar sales (aside from the price, contracts cover shares in the covering of losses, in the rise of production cost, in financing capital investment projects and even expenditures for social services, the sale of nonexistent products, committed products, and the like), must be regarded not as the results of the pathological ineffectiveness of the commercial departments of enterprises, but the natural, that is, the inevitable and foreseeable, result of substitution of accords and compacts for the market and the economic system.

One of the ways out of this situation was for someone outside the system of accords and compacts, that is, outside associated labor, to assume responsibility for the correctness of the conclusion of accords and compacts, to act in fact like an outside conductor who unites the individual musicians into a single

concert ensemble. One of the candidates for that conductor's position is the government, and the subjective forces are the other. The present system functions in large part on that basis, though it is obvious that this system would not conform to authentic self-management. This would be a rigged and controlled self-management, a self-management under someone's sponsorship, a negation in fact of self-management. This is unacceptable even on purely practical grounds. It is not possible to conduct from a single center such an orchestra as a modern national economy. This means that the conducting should be entrusted to the government or to the political organizations at lower levels. Theory envisages, and practice confirms, that both the government and the political conductors at the lower level will in such a case so identify themselves with those they are supposed to be conducting that they are transformed from administrative or political entities into economic entities with material interests similar to those possessed by their own sector of associated labor. In this way geographic fragmentation is added to the fragmentation of the market caused by the conclusion of partial compacts and accords. The patriarchal and parochial system of leadership, known from feudal society, obviously leads to similar results in all periods of history.

Since for obvious reasons and without specifically arguing the point we are avoiding substituting the system in which the government administration runs the economy for the self-management system of decisionmaking, the only other solution is to subordinate the conclusion of compacts and accords to the market and, if in addition to individual effectiveness one also wants to guarantee the effectiveness of the socialized economy, subordination to the economic system as well, in the restricted sense set forth above. According to that solution, the conclusion of social compacts and self-management accords is not a substitute for the market and the economic system. It is the form and means whereby market laws, corrected by the economic system, are realized. The degree to which the conclusion of accords and compacts realizes market relations corrected by the economic system must be regarded as the criterion of the successfulness of its operation. This is the solution we favor.

The market, corrected by the instruments of the economic system, facilitates development of authentic self-management by contrast with rigged self-management. By means of the instruments of the economic system economic policy guides economic decisionmaking only indirectly, creating conditions in which the economy itself, in its own interest, maximizing its income, takes decisions whereby the social product is also maximized. For example, the policy of a realistic rate of exchange of the dinar will bring it about that the exports of a rather large portion of domestic industry will bring in larger income than sales on the domestic market, and the manufacturers themselves, in their own interest, without being assigned ("addressed"--to use the terminology of Soviet planning) export obligations by the community for foreign economic relations, will decide to export, not thereby discharging any sort of patriotic duty, but simply maximizing their own product and thereby, possibly without even knowing it, maximizing the product available to society as well. All the actual economic decisions, that is, decisions which cause changes in the economy, not only those whereby the physical form of existence of a given value is altered (transformation of commodities by the market and production), but above all those whereby the product

comes into existence, is distributed and is used, are made by associated labor itself. No one outside associated labor is issuing it instructions as to how to make the choice among the numerous alternatives. Through its instruments the economic system guides the economy toward making decisions which maximize the social product in that it makes those decisions more effective both from the individual standpoint, from the standpoint of individual organizations of associated labor, and, in a broader aspect, from the standpoint of the individual workers as well. This is the essence of "creating conditions in which the economy itself, in maximizing its own product, also maximizes the social product."

Thus the market and the system (planning is immanently included in the decision-making of the economy both on the basis of market parameters and also the parameters of the system) become a sufficient condition not only of economic effectiveness, but also of authentic self-management, and moreover of self-management that is specifically socialistic.⁷ In that sense we must agree with Branislav Soskic when he says that "the more our economy is a market economy, with elements of economic policy, social compacts and appropriate planning, of course, the more it will also be self-managing."⁸ Since the market does not in and of itself maximize the social product, and certainly does not favor the establishment of socialist social relations, which means that this cannot be done by uncoordinated decisionmaking of self-managing organizations of associated labor either, the economic system emerges as a decisive condition of the system of self-management both in terms of distributional and allocational effectiveness and also in terms of authentic self-management. So, if something is wrong in the economy, and that is the case with our economy in recent years, the economic system is to blame by definition. Were we to take the view that no objection can be made to the system, but that the economy and associated labor are behaving contrary to expectations, that would be the same as the argument that associated labor is not capable of seeing its own interests or, once having seen them, is unable to behave in conformity with those interests. Such a thesis would in principle signify our denying the possibility that a self-managing economy can function and would mean that we see in self-management only a special form of worker participation in management of the economy, which in essence belongs to entities outside associated labor.

This concept of the economic system raises the question of the place which the conclusion of self-management accords and social compacts has in the taking of economic decisions by associated labor. If maximization of the social product can be achieved on the basis of market parameters and the parameters of the economic system, then the question arises: "Why should it be realized in the form of self-management accords and social compacts?" Though we cannot enter into that problem in this article, by all appearances its solution should be sought in several directions.

First, in all cases in which the conclusion of accords and compacts violates the unified nature of the market by setting special conditions of trade for narrow groups of economic entities, thereby creating partial markets, as is the case with the present "self-managed" sale of foreign exchange, there is no place for it in our system of economic activity. Associated labor as a whole, all the buyers and sellers, must be oriented toward the same unified market, so that the

influence of each of them on the price will be diminished as much as possible. The main variable of the compact or accord on trade ought to be the amount, but not the price. Accords and compacts on the conditions of exchange between sellers on the one hand and buyers on the other, since they inevitably contain elements of a cartel, are contrary to the constitution and the Law on Associated Labor, which prohibits the formation of any monopoly.

Second, cooperation among producers ought to be the true domain of accords and compacts. Because present-day production processes and products are extremely complex, many products--more precisely, their components--are produced in numerous enterprises. For technological and economic reasons the integration of all the interdependent processes within the confines of a single organization of associated labor is often not the optimum solution. The coordination of autonomous interdependent producers is the principal domain for the conclusion of self-management accords and social compacts, and the main subject matter of the accords and compacts is the systematic division of labor on behalf of optimum utilization of fixed capital.

Third, when the main foundation for the conclusion of accords and compacts is technological and organizational in nature, then the accords and compacts whose purpose pertains by nature to capital, to the accumulation of capital to finance capital investments, obviously have no sound economic basis. As a matter of fact, they are the consequence of the nonexistence of a capital market. In principle everything we said in making our first point above about the conclusion of compacts and accords concerning the sale and purchase of goods also applies to the "sale" and "purchase" of capital.

Economic Policy and the Economic System

If we proceed from the position that the problem of the economic system has been cleared from the agenda once and for all by the institutionalization of self-management decisionmaking, and when associated labor cannot be blamed for the present difficulties for the reasons given above (though such cases do exist), then obviously the guilty party has to be someone else. Recently increasingly frequent mention has been made of economic policy, of its ineffectiveness, its inconsistency, its sluggishness, the tardy adoption of measures, and so on. Since the Federal Executive Council is the principal economic policymaker, the blame can be definitely placed both in institutional and personal terms. There were several such judgments early in the year.

Among economists, the most stubborn admonishments about economic policy as the source of our difficulties have been coming from Marijan Korosic. "I think," he said in a discussion organized by EKONOMSKA POLITIKA late last year, "that in its basic determinants our economic system--only social ownership and self-management have been mentioned (in the discussion--A. B.) ... as a derivative, but also as a basis, I derive decentralized decisionmaking--is an effective economic system, an economic system which can yield results..." However, "we have such bad economic policy ... it is not able to coordinate those decentralized decisions to the necessary degree."⁹

The term "economic policy" has a rather indefinite meaning. We can conceive it very broadly, as the overall policy governing some society's social and economic development, in which case it encompasses both the selection of the socio-economic system and also development strategy, including long-range planning as well. When decentralized decisionmaking of associated labor is set in opposition to the need to coordinate that decisionmaking, the possibilities are much more restricted for interpreting the term "economic policy." There is no doubt that instruments such as the rate of exchange of the dinar, direct and indirect taxes, the tax base, the discount rate, the charge for capital, the setting of quotas on credit, the terms for repayment of credit, subsidies and compensation payments, the linking of personal incomes to labor productivity or income, the indexing of claims and obligations, minimum personal incomes and the like, have an influence on the decisionmaking of economic units. It is for that reason in fact that they are referred to as instruments. "Economic policy" can coordinate "decentralized decisionmaking," obviously in order to attain the distributional and allocational optimum, which is different from those instruments. For example, the charge on capital is not used by us, except in a marginal form. The basic principle of distribution is the growth of both personal incomes and accumulation in case there is a growth of income, but in annual resolutions it is set forth concretely in the linking of personal incomes to the nominal income. With few exceptions there is no indexing. Indirect taxes take the form of the turnover tax rather than an added value tax. The rate of exchange of the dinar, subsidies and compensation payments and many instruments not mentioned are part of the set of instruments of "economic policy."

It is obvious that it is not just the specific choice of instruments, but also their quantification, their measured application, that decides the way in which the conduct of economic activity by organizations of associated labor will be influenced. If the charge on capital approaches zero or is negative, if the rate of exchange of the dinar is far below the equilibrium level, if indexing is unknown, it would be difficult to assert that economic policy uses the charge on capital, the rate of exchange of the dinar, or productivity (= indexing) as its instruments. In other words, selection of the particular list of economic policy instruments also implies selection of certain narrow or broad limits of their quantification. A realistic rate of exchange of the dinar, a realistic positive rate of interest, a lagging of personal incomes behind income or behind productivity imply certain limits within which the quantification of instruments may vary.

In the domain of economic policy there are two rather different activities related to the set of economic policy instruments. The first is the selection of instruments, the system of instruments, including the overall quantification envisaged for them, and the other is the manipulation of their specific quantification, their adaptation to the needs of the specific economic situation. Selection of the type of tax, its base and the taxpayer is a matter that falls under the first of these activities. The setting of specific tax rates that are to apply in particular periods of time, however, falls in the second of the activities mentioned. As a rule, the first activity pertains to parliaments, to legislative bodies, and the latter to executive bodies, to governments. Indexing the rise of personal incomes to the rise of income falls under the first activity, while fixing the interval by which the growth of personal incomes is to

lag behind the growth of income falls under the second. Selection of the discount rate or legal reserves as a means of influencing the volume of credit is a part of the first activity, while setting the level of the interest rate or of the legal reserve is a domain that comes under the second activity, and so on.

I suggest that we refer to the selection of the system of instruments, including their overall quantification, that is, quantification of the possible ranges, as selection of the economic system, but retain the expression "economic policy" for the second activity. We have drawn a line of demarcation between the economic system in the sense of the system of instruments of economic policy, between the economic system in the sense of institutionalization of the conclusion of accords and compacts, and also between the economic system in the sense of the socioeconomic foundations of the conduct of economic activity, to such an extent that misunderstandings are no longer possible. It is true that in this context economic policy is confined to current economic policy. However, it is in that sense that this expression is mostly used.

We will quickly concur in the assessment that current economic policy cannot be successful if it must operate under the conditions of defective instruments, the nonexistence of certain necessary instruments, an incorrect combination of instruments, and so on. "Policy cannot work wonders if the system together with its mechanism is inappropriate," France Cerne has said in a passage already referred to. In our article entitled "The Effectiveness of Economic Policy"¹⁰ we portrayed the economic system as a limit on the effectiveness of economic policy. Current economic policy can manipulate the intensity of the instruments that exist, but it cannot alter their existence or their mix, nor can it introduce new instruments. Take, for example, the principle: more income--more for both personal incomes and accumulation. This linking of personal incomes to the income of the organization of associated labor inevitably breaks down remuneration according to work and thereby contributes, indeed contributes directly, to inflation. However this correlation is quantified, a greater or smaller lagging of personal incomes behind the income of the organization of associated labor inevitably raises personal incomes higher than the growth of labor productivity, especially in a system where income as shown in bookkeeping exaggerates the actual nominal income for several reasons (the negative rate of interest, assets which have not been revaluated). It is true that current economic policy--more precisely, its makers, the executive bodies of government--can by their initiative make a considerable contribution to improvement of the system of instruments in legislative bodies, but in that area they are neither the only factors nor the decisive ones. For example, even before last year's devaluation the Federal Bureau of Prices was preparing a detailed proposal based on intersector relations for passing on the rise in the value of the dollar to our domestic prices. Because of resistance in certain quarters, republic resistance above all, the proposal did not "make it," and as a consequence the value of the dollar was passed on to domestic prices anarchically, much in the way the explosion of world prices in 1974 was passed on, much more speedily.

Thus when Marijan Korosic criticizes economic policy for its inability to coordinate the operation of the decentralized system of decisionmaking, he actually means by economic policy, according to the terminology proposed here, the economic system, that is, the system of economic policy instruments, especially

since the most important elements of the economic system he mentions are social ownership and self-management, decentralized economic decisionmaking, which, according to the proposed terminology, which has now been widely adopted, belong to the socioeconomic system, to its foundations. In other words, here again the views are similar, but not identical.

This by no means signifies, of course, that economic policy makes no mistake. During last year we often gave favorable marks to its operation. However, once we have agreed on the policy of the realistic rate of exchange of the dinar, and indeed on an active policy in that regard, then that policy should be carried out. When the prices of petroleum on the world market and also the prices of petroleum derivatives in neighboring countries and/or the overall level of domestic prices rise, there is a need to adapt domestic prices of petroleum derivatives as well. When it is obvious because of the scarcity of supply that the market cannot operate, that in fact it does not exist, it is a mistake to leave the setting of prices to the "conditions of the market." When the dinar is proclaimed to be the legal means of payment, and the economy is declared to be a unified monetary region, then it really is inconceivable that economic policy can look upon the buying of foreign exchange and the use of foreign exchange as a means of payment in transactions between domestic economic entities as a passive observer. Yet that is not the subject matter of this article.

FOOTNOTES

1. DUGA, Vol 6, No 191, 1980, p 22.
2. EKONOMSKA POLITIKA, Vol 29, No 1494, 1980, p 21.
3. Discussion at a conference in the Presidium of the LCY Central Committee in Zagreb held on 5-6 March 1981.
4. A. Bajt, "Social Ownership in the Constitution and in the Law on Associated Labor," SOCIJALIZAM, No 2, 1977, pp 410-427.
5. Conference in Zagreb, 5-6 March 1981.
6. DUGA, Vol 6, No 174, 1980, p 24.
7. See Aleksander Bajt, "The Market and Socialism, Self-Management Socialism in Particular," EKONOMSKA REVIJA, No 29, 1976, pp 15-26.
8. Statement at the conference in Zagreb on 5-6 March 1981.
9. EKONOMSKA POLITIKA, Vol 29, No 1494, 1980, p 26.
10. Yugoslav Economic Chamber, 79/XII, p 8 ff.

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CSO: 1980/338

STATUS OF MERCHANT MARINE IN 1980

Belgrade TRANSPORT in Serbo-Croatian No 6, Jun 81 pp 19-25

[Article by Gordan Matijevic: "Business Operation of Work Organizations in Maritime Shipping in 1980"]

[Excerpts] 1. Principal Conditions for the Business Operation of Maritime Shipping in 1980

The conditions for the economic activity of our maritime carriers have been coming up against two basic factors on the basis of which they actually earn their income, and those are the situation on the international market for cargo space and the domestic measures of economic policy.

In 1980 there was a certain integration of international visible trade, and accordingly conditions for economic activity on the world maritime market were somewhat more favorable, which provided for somewhat more favorable employment of available tonnage.

This invigoration of trade provided the basis and occasion for raising shipping rates in all types of shipping (see the section on shipping rates), since they were necessary to cover at least a part of the rising cost.

This kind of situation was based mainly on the more favorable movement of the market for raw materials, grain and coal, and also on the fact that the volume of orders for building new ships in the world is still low, and ships previously tied up have mostly been scrapped, which has diminished the pressure of available capacity and created room on the market for better employment of the existing fleet. However, the benefits of the higher shipping rates were diminished by the very pronounced rise in the price of fuel, and in line shipping by fuel and also galloping inflation in many parts of the world.

With respect to types of ship tonnage, employment on the international market was as follows:

a) Operation of Line Shipping

The UNCTAD Code was adopted, that is, division of cargo according to the formula 40:40:20, by which a majority of countries are trying to employ primarily their own fleet in export and import transactions, so that very little room is left for contracting out shipping business on the open market. That space will be filled by those who go into the competition with the best-equipped up-to-date vessels which have been purchased cheap. In order to operate as little as possible under the uncertain conditions on the international market, our ships should become involved still more in carrying our own overseas imports and exports, and our fleet should be renewed.

In the first half of the year a tendency arose toward a settling down on the line shipping market, and there was also a decline in the congestion in sea-ports. The second half of the year was at the center of events in the Near East and the war between Iran and Iraq (70 ships are still held up in the Shatt-al-Arab). There were disruptions in the frequency and regularity of lines in that sector. Yugoslav carriers were affected by the blockading of four ships ("Lika," "Krasica," "Uljanik" and "Istra"), and especially by the loss of the vessel "Una" [garbled sentence] ... on that line and brought about very sizable losses (elimination of vessels from business operation, high premiums for extra war insurance, the costs of maintaining the blocked vessels, etc.).

Line shipping conducted its business operation under the constant pressure of rising operating costs. Fuel costs had the most significant influence on that trend, and this caused many carriers to reduce service speed to reduce fuel consumption as much as possible.

b) Tramp Shipping (Dry Cargo)

The business operation of vessels in tramp shipping was mainly satisfactory thanks to the conditions that prevailed on the world market for shipping space.

The lowest index number for employment of vessels under voyage charter was recorded in January 1980 at 194 and the highest in December at 241 (the base July 1965-June 1966 = 100).

In the employment of vessels under time charter the lowest index number of revenues was recorded in February 1980 at 327 and the highest at 421 (base 1971 = 100).

It is a general observation that in 1980 revenues were higher than realistic expectations, which were based on the world economic recession, above all in the highly advanced countries, which has a particular importance for maritime trade.

c) Tanker Shipping

An ever greater interest in prompt shipment was evident in late 1979, which meant a minimal improvement after a lengthy period. That situation on the market lasted only until mid-January 1980.

In view of the fact that exports of petroleum from the OPEC countries in 1980 were down 12 percent from 1979 and that exports from those countries represent over 90 percent of the world volume of crude petroleum carried by sea, it is obvious that no better situation on the tanker market could even be expected. The employment and purpose of the tankers were to some extent adapting to these conditions (reduced speed, retirement from service, use of tankers as floating warehouses). The facts we have enumerated help to prevent a still greater drop in revenues.

d) Operation of Coastal Shipping

Coastal shipping with a fleet of 18 vessels and 15,000 deadweight tonnage had relatively adequate cargo to carry throughout the year. Domestic cargo was offered, mainly wood, cement, petroleum derivatives, etc. The relatively good supply of cargo made it possible to obtain return cargoes in the employment of vessels.

A sizable portion of shipping was with North African ports and the ports of Italy.

The level of revenues was slightly higher than in 1979. The volume of traffic in domestic coasting was at approximately the same level as in 1979, with somewhat higher rates because of the general rise in costs. High port costs in domestic seaports for the vessels employed in this kind of shipping, especially for international voyages, had a rather adverse effect on operating results.

Coastal shipping, especially cargo shipping, is deriving its existence less and less along our coast, though more than 2.5 million tons of cargo were carried in domestic coasting. Inadequate use is being made of this cheapest form of cargo transport even in this time of expensive imported fuel.

Status of the Fleet

At the end of 1980 our merchant marine had 339 vessels with 2.5 million gross register tons, 3.8 million deadweight tonnage and 18,655 passenger places. The number of vessels remained the same as in the previous year, but the growth in deadweight tonnage was only 2.8 percent.

Average vessel age has been deteriorating steadily. More than half of our vessels are unable to enter several world seaports, since at the end of 1980 the merchant marine had 171 vessels over 15 years of age, which means 51 percent of the existing fleet, while the figure 10 years ago was 38 percent. Of those vessels 111 are over 20 years old, 42 are over 30 years old, and one vessel in international navigation is over 50 years old. This indicates that in terms of age our fleet is considerably above the world average, which obviously indicates that it is very old and technologically outdated, and is in urgent need of replacement.

Since the present system makes it difficult to replace the older part of the fleet, the Yugoslav Merchant Marine is put in a position where it cannot keep up

with the introduction of new vessels (with more up-to-date and economical technology), as is now being done on a large scale by other maritime countries in the world. More rapid development of the fleet could contribute still more to stabilization of the economy, especially in foreign economic relations, by creating a larger influx of foreign exchange for the country's balance of payments.

The opportunity was not taken to purchase vessels under 5 years old, whose price was 25 percent of their actual value during the period of the recession of the world maritime market between 1975 and 1979. Carriers were unable to take advantage of this favorable moment on the world market because of the administrative ban on imports as a consequence of the foreign exchange and customs system. The fact is that a physically worn-out and uneconomical fleet could have been replaced by purchasing vessels under those exceptionally favorable conditions, which would have increased the generation of funds for depreciation and reinvestment for faster construction in domestic shipyards.

Domestic Economic Policy Measures in the Context of the Business Operation of Maritime Shipping in 1980

The devaluation of the dinar had a dual effect on the business operation of maritime shipping. It was favorable in that the fleet works mostly on the convertible market, and it was adverse because it pays a major portion of its expenditures in foreign exchange.

The way in which the law on foreign exchange transactions has been enforced so far indicates that there must be a correction of Article 77 (which speaks about the recording and concluding of contracts concerning prices of shipping services with domestic shippers in international transport); however, even today this problem has not been solved.

The issue of acknowledging the influx of foreign exchange realized through the current account has still not been settled in spite of the action taken with the competent federal agencies.

The question of payment of the tax on shipping revenues in certain seaports (the so-called income tax) has dragged on now for decades, and appropriate steps have been taken with the competent federal agencies so that in future these income taxes are not paid in the various countries on the shipping charges collected. These expenditures amounted to \$2,073,739 in 1979 and \$2,117,731 in 1980.

Shipping revenues collected in dinars from domestic shippers for goods carried to and from countries with which we have a bilateral payments agreement have not been treated in conformity with the present legal system (the Law on Foreign Exchange Transactions, the order on dinars of foreign exchange origin, the self-management accord on stimulation of exports). The action taken with the competent agencies has still not yielded favorable results.

2. Status and Trend of Capacity of the Yugoslav Merchant Marine

As of 31 December 1980 the Yugoslav Merchant Marine had 339 vessels with an average of 11.6 years, a total of 2,460,240 gross register tons, deadweight tonnage of 3,806,421, and 18,635 passenger accommodations.

Table 1. Survey of Ship Capacity Over the Last 3 Years

Description	Status of Fleet			Index 1980/79
	1978	1979	1980	
Number of vessels	337	339	339	100.0
Gross register tons	2,336,745	2,389,233	2,460,240	103.0
Deadweight tonnage	3,618,568	3,701,842	3,806,421	102.8
Passenger accommodations	17,832	17,323	18,635	107.6
Horsepower	1,373,586	1,417,779	1,456,857	102.8

It is evident from the table above that the fleet remained at last year's level in the number of vessels, while in gross register tons it grew 3 percent and in deadweight tonnage only 2.8 percent. That is what it had in 1976 with 322 vessels with an average age of 10.6 years, 2,002,230 gross register tons and a deadweight tonnage of 3,059,557 and 17,331 passenger accommodations.

So, in 1980 there was the following increase over 1976:

Number of vessels, only	5.3 percent
Gross register tonnage	22.9 percent
Deadweight tonnage	24.4 percent
Passenger accommodations	7.5 percent

This growth of capacity is very modest over 1976, and it was achieved mainly by purchasing vessels abroad. However, most disturbing is the rise in the average age of capacity in terms of gross register tons, which increase from 10.6 years in 1976 to 11.6 in 1980. These figures indicate that our fleet is considerably older than the world average, which obviously proves that the Yugoslav fleet is very old and technologically outdated and urgently needs to be replaced.

The process of simple reproduction in maritime trade over the last 5 years has not been taking place because of the impossibility of making appropriations to funds to renew the fleet. Work organizations in the merchant marine depreciated their vessels in 1977, 1978 and 1979 at the lowest legal rates, since the gross income they earned in their business operation was not sufficient to cover the full amount of depreciation. In that period the high losses because of the recession on the world market were covered by reduced depreciation, as can be seen from the following table:

Table 2

In billions of dinars

Description	1971	Index Base	1974	1975	1978	1979	Index	1980	Index
Purchase value of capital assets	8.6	100	10.8	18.9	29.0	32.6	379	44.3	515
Total depreciation	0.6	100	1.7	1.4	1.1	1.8	300	2.9	483
Gross income	3.6	100	7.9	8.9	12.5	16.3	453	28.1	780
Share of depreciation in fixed capital, %	7.0		16.1	7.4	3.7	5.5		6.5	
Percentage of the fleet over 15 years old (based on the number of vessels)	38.5		45.9	47.8	52.8	51.6		52.8	

A survey of the trends of these elements convincingly indicates the drastic decline in reproductive capacity (depreciation) in the work organizations of the merchant marine. The negligible appropriation of funds for depreciation relative to fixed capital is very striking; this shows a very disturbing situation, since the funds set aside were far below the needs for simple reproduction. For example, in 1974 depreciation was 16.1 percent, while 4 years later this appropriation amounted to only 3.7 percent, and in 1980 it was 6.5 percent.

This poor reproductive capacity of the merchant marine has brought about a steady deterioration of the composition of the fleet with respect to age, which is making it difficult to operate on the world market, especially since many countries have adopted regulations prohibiting vessels over 15 years old from entering their seaports (today our fleet has 171 vessels or 50.4 percent of capacity over 15 years old).

Moreover, there is still another proof that our fleet is getting older, that is, that simple reproduction is not taking place, as indicated below.

At the end of 1980 the capacity of the merchant marine under 10 years old in terms of gross register tons amounted to 40.4 percent of total capacity, whereas this share was as follows in previous years:

In 1979	39.1%	In 1977	50.5%	In 1975	55.6%
In 1978	43.1%	In 1976	54.1%	In 1974	58.6%

So, it is also evident from these indicators that the aging process of our fleet is continuing even yet, since the share of vessels under 10 years old has dropped all of 18.2 percent since 1974, which indicates the seriousness of this problem. This lag in development of the fleet, in modernization and in the

application of new shipping technology that meets the requirements of the contemporary market is having the consequence of diminished competitiveness on the world maritime market.

3. Performance Indicators and Economic Results

a) Cargo and Passenger Traffic

Table 3. Total Traffic Volume and the Share of Types of Traffic Carried by Our Vessels, in thousands of tons

Type of Traffic	1979	1980	Distribution, %		Index
			1979	1980	
Exports	1,175	1,258	4.9	5.1	107.1
Imports	4,974	6,386	20.9	25.7	128.4
Exports + imports	6,149	7,644	25.8	30.8	124.3
Transit	469	726	2.0	2.9	154.9
Total through Yugoslav seaports	6,618	8,370	27.8	33.7	126.5
Between foreign ports	14,479	14,066	60.9	56.7	97.1
Total international traffic	21,097	22,436	88.7	90.4	106.3
Coasting	2,670	2,368	11.3	9.6	88.7
Total cargo carried	23,767	24,804	100.0	100.0	104.4

It is evident from the table above that the total volume of cargo traffic carried by our vessels was up 4.4 percent over the previous year. Total international traffic increased 6.3 percent, while coasting between domestic ports was down 11.3 percent. The carrying of export cargo was up 7.1 percent, while import cargo showed an increase of 28.4 percent, so that the participation of Yugoslav vessels in carrying Yugoslav exports and imports increased 24.3 percent as a whole. The volume of transit cargo carried by our vessels through Yugoslav seaports increased appreciably. However, foreign vessels are still carrying 85.2 percent of the transit cargo. Viewed as a whole, the volume of traffic through our seaports increased 26.5 percent, while the volume between foreign ports dropped 2.9 percent from the previous year.

Yugoslav imports and exports had a share of 30.8 percent in the total volume of cargo carried by our vessels (25.8 percent the previous year), but their transit cargo represented 2.9 percent (2 percent the previous year); that is, our vessels carried 33.7 percent of the cargo in international trade coming into our seaports and leaving our seaports (27.8 percent the previous year). Of the total volume of cargo carried between foreign ports they carried 56.7 percent (60.9 percent the previous year). On the basis of this volume of traffic by types international traffic represented 90.4 percent (88.7 percent the previous year), and domestic coasting 9.6 percent (11.3 percent the previous year).

If we analyze the distribution of exports and imports over the last 5 years, we can conclude that the share of our fleet has been modest in carrying Yugoslav imports and exports moving by sea. However, it was thought that the year 1978 would mark the turning point and that the growth trend could be more favorable

in future operation to the benefit of the domestic flag. But in spite of all the expectations we have the opposite phenomenon in 1979 and 1980, i.e., a drop in the share of our fleet (relative to 1978) in carrying cargo representing Yugoslav exports and imports. In 1980 our vessels carried 5.4 percent more of Yugoslav exports than in the previous year, while they carried 20.2 percent more of Yugoslav imports; that is, in 1980 the overall share of Yugoslav exports and imports carried by Yugoslav vessels increased 17.2 percent over 1979; in terms of distribution (a minimum growth is recorded) our fleet in 1980 had a share of 32.3 percent of exports (last year 32.9 percent), 27.8 percent of imports (last year 26.6 percent) and 28.5 percent of total exports and imports (last year 27.6 percent). So, we can conclude that the share of the foreign flag in carrying Yugoslav exports and imports has remained very high.

Table 4. Distribution of Yugoslav Imports and Exports Between Yugoslav and Foreign Vessels, total = 100

Description	1976	1977	1978	1979	1980
Exports					
Total	100.0	100.0	100.0	100.0	100.0
Domestic vessels	36.4	33.6	39.2	32.9	32.3
Foreign vessels	63.6	66.4	60.8	67.1	67.7
Imports					
Total	100.0	100.0	100.0	100.0	100.0
Domestic vessels	25.6	25.7	28.2	26.6	27.8
Foreign vessels	74.4	74.3	71.8	73.4	72.2
Total					
Total	100.0	100.0	100.0	100.0	100.0
Domestic vessels	27.8	27.4	30.4	27.6	28.5
Foreign vessels	72.2	72.6	69.6	72.4	71.5

Table 5. Total Volume of Passenger Traffic, according to figures of the Federal Bureau of Statistics, in thousands

Type of Traffic	1979	1980	Distribution, %		Index 1980/79
			1979	1980	
International	151	126	1.9	1.7	83.4
Domestic	7,904	7,175	98.1	98.3	90.8
Total	8,055	7,301	100.0	100.0	90.6

b) Foreign Exchange Results

It is evident from the following table that total inflow of foreign exchange in 1980 increased 39.6 percent over last year in spite of the slow renewal of capacity over the last two medium-term periods, while the outflow of foreign exchange had almost the same growth trend as the inflow of foreign exchange and increased 39 percent. The net inflow of foreign exchange increased appreciably, by 40.5 percent, which proves that business operation on the world market was optimal. Because of the higher costs incurred in foreign exchange the rate of

the net inflow of foreign exchange increased a minimal 0.7 percent over the previous year.

Table 6. Foreign Exchange Balance Sheet for Business Operation of Maritime Shipping in 1980, in millions of dollars

Description	1978	1979	1980	Index 1979 = 100	
				1978	1980
Inflow of foreign exchange	540.1	672.4	938.7	80.3	139.6
Outflow of foreign exchange	327.3	391.8	544.5	83.5	139.0
Net inflow of foreign exchange	212.8	280.6	394.2	75.8	140.5
Rate of foreign exchange expenditures, %	60.6	58.3	58.0	103.9	99.5
Rate of net foreign exchange, %	39.4	41.7	42.0	94.5	100.7

Foreign exchange results in 1980 improved because of invigoration of international visible trade and the somewhat more favorable conditions that resulted for conduct of economic activity on the world maritime market, i.e., there was a rise in shipping rates in all activities. In this connection we should be mindful of the fact that in spite of the improved market conditions (higher rates), there was a further rise of operating costs, i.e., their growth trend in 1979 continued, which had an impact on the growth of the outflow of foreign exchange in 1980. Nevertheless, with respect to the outflow of foreign exchange work organizations managed through certain efforts to diminish certain expenditures incurred in foreign exchange over which they were able to have an effect in their business operation, so that the rate of foreign exchange expenditures dropped from 58.3 to 58.0 percent.

It is also important to emphasize that maritime shipping provides every other dollar to Yugoslavia from the exporting of transportation services, and this amounts to more than one-tenth of total commodity exports. In conclusion we can observe that maritime shipping has been achieving an ever more sizable inflow of foreign exchange every year, and if the question of more rapid development of the fleet were resolved, it could contribute still more to the country's economic stabilization, especially in relations with foreign countries.

4. Financial Results on the Basis of Business Operation in 1980

The business operation of maritime shipping in 1980 was affected by an appreciable weakening of the recession from the previous years, and this also had an effect on shipping rates, which showed a satisfactory growth trend.

However, on the one hand there was a further rise in operating costs, so that the results of work organization were not as good as they would have been.

Table 7 presents indicators on the business operation of work organizations in the merchant marine.

Table 7

In millions of dinars

Description	1979	1980	Index
I. Gross income	16,302	28,095	172.3
II. Expenditures	11,882	19,637	165.3
Depreciation alone	1,803	2,250	124.8
III. Income	4,420	8,458	191.3
1) Division of income by purpose	1,527	3,045	199.4
a) Taxes and contributions paid out of income	270	493	182.7
b) Share of income for depreciation above the minimum rates	11	660	--
c) Share of income for insurance premiums	405	665	164.0
d) Share of income for interest	578	837	144.9
e) Share of income for other service charges	11	35	306.0
2) Net income	2,893	5,412	187.1
a) Share of net income for personal incomes	2,316	3,238	139.8
1. Net personal incomes	1,567	2,188	139.7
2. Taxes and contributions from personal incomes	690	962	139.2
3. Net personal incomes on other basis, including contributions	59	88	149.9
b) Portion of net income for subsidized workers' meals	4	6	149.7
c) Portion of net income for workers' annual vacations	16	12	72.4
d) Portion of net income for housing construction	232	465	200.5
e) Portion of net income for other social services	111	254	227.6
f) Portion of net income for the business fund	84	1,110	1,314.5
g) Portion of net income to improve plant and equipment	13	65	483.9
h) Portion of net income for the reserve fund	105	238	227.0
j) Portion of net income for other funds	8	19	238.8
k) Portion of net income for other purposes	2	4	205.0
IV. Less	--	--	--
Uncollected revenues	159	399	251.0
Less computed depreciation (on the basis of Article 78 of the Law on Depreciation)	82	--	--

It is evident on the basis of the following survey that sources for repayment of credit increased 111.8 percent, while obligations under repayment of credit on capital assets increased 47.2 percent, and it can be said that organizations of

associated labor in the merchant marine improved their ability to make investments over the previous year.

Table 8

<u>Description</u>	In millions of dinars		
	<u>1979</u>	<u>1980</u>	<u>Index</u>
Total depreciation fund	1,813.9	2,910.6	160.5
Resources of the business fund for capital investment	84.5	1,110.5	1,314.5
Total	1,898.4	4,021.1	211.8
Repayment of credit on capital assets	1,268.4	1,867.7	147.2
Remainder	630.0	2,153.4	341.8

However, these funds represent the carrier's own share in the amount of 20 percent for the purchase of vessels in 1980 in accordance with the Self-Management Accord on Development of Shipping up to the Year 1985, while the carriers will have to obtain the remainder of the funds necessary to purchase the vessels primarily by taking out mortgages.

In view of the fact that over the last 3 years the carriers have covered high losses by means of reduced appreciation at the minimum prescribed rates, in accordance with Article 28 of the Law on Depreciation, then it can be said that the financial result achieved in 1980 is satisfactory.

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SEAPORT OPERATION IN 1980

Belgrade TRANSPORT in Serbo-Croatian No 6, Jun 81 pp 25-28

[Article by Atanasije Spasic]

[Text] According to the preliminary data of the Federal Bureau of Statistics, total cargo traffic in all Yugoslav seaports in 1980 was 33.9 million tons. This volume of traffic is a record never achieved since the existence of Yugoslav seaports, and it is 9 percent over the previous year.

This high increase in total seaport traffic did not affect the growth of commercial commodity traffic of work organizations administering seaports, since it was achieved primarily thanks to the increase in imports of petroleum through the petroleum pipeline at Omisalj, which does not fall within the domain of those work organizations.

Over the last 10 years total commodity traffic in all Yugoslav seaports has varied as follows:

1971	20.9 million tons	1976	25.1 million tons
1972	19.5 million tons	1977	26.1 million tons
1973	20.9 million tons	1978	27.1 million tons
1974	23.8 million tons	1979	30.1 million tons
1975	22.4 million tons	1980	33.9 million tons

It can be noted in this series that over the last 3 years seaport traffic has been growing at a faster rate than in previous years. This was achieved because of the high growth in the traffic of crude petroleum and bulk cargoes.

The distribution of seaport traffic by principal types of cargo traffic in 1980 and its relation to results in the previous year are shown in Table 1.

By contrast with the results in the previous year, which were adverse because exports remained at the same level, and transit even dropped from the 1978 level, in 1980 there were favorable trends, as shown by the figures on the 7-percent growth of exports through seaports and 9-percent growth of transit by comparison with 1979.

Table 1

In thousands of tons

<u>Description</u>	<u>1979</u>	<u>1980</u>	<u>Index</u> <u>1980/79</u>
Total traffic	31,097	33,943	109
Breakdown:			
Coasting	5,907	5,541	94
Exports	3,262	3,500	107
Imports	16,409	18,885	115
Transit	5,519	6,017	109

The growth of exports is the result of stronger Yugoslav foreign trade with overseas regions, while the relatively high increase of seaport transit was affected considerably by the technological modernization of certain of our seaports, above all the port of Koper, within the context of concerted efforts of all the branches of transportation in Yugoslavia to introduce as soon as possible joint technology for integrated cargo transport. In 1980 integrated transport through the port of Koper (ferry, container and ro-ro), and partially also through Rijeka, contributed to the growth of transit traffic of general cargo and to preventing a further reorientation of that transit cargo to competitive foreign ports, which had been attracting it because of their more advanced systems for integrated transport.

Commodity imports through our seaports showed a high 15-percent growth over the previous year in 1980 as indeed in previous years because of the further increase in imports of crude petroleum and bulk cargoes.

The distribution of total seaport traffic by types of cargo traffic, expressed in percentages, has been as follows over the last 3 years (Table 2).

Table 2

<u>Description</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Total seaport traffic	100.00	100.00	100.00
Coasting	18.05	18.99	16.32
Exports	11.83	10.49	10.31
Imports	49.07	52.77	55.63
Transit	21.05	17.75	17.73

The results above indicate that imports continue to be dominant in the cargo traffic through our seaports; in 1980 they had a share of 56 percent in total seaport traffic.

The principal Yugoslav seaports that figure in the data of the Federal Bureau of Statistics are Koper, Rijeka, Sibenik, Split, Kardeljevo, Dubrovnik and Bar. The port of Zadar, which in recent years has been progressing rapidly and whose

cargo traffic in 1980 was twice that of the port of Dubrovnik, is still not recorded as a principal seaport in the official statistics, so that we also are unable to include it in this portion of the analysis because we lack the pertinent data.

The only seaports increasing their total cargo traffic in 1980 relative to the previous year were Koper (7 percent) and Sibenik (15 percent). There was a decline for all the other principal ports, as follows: 7 percent for Rijeka, 26 percent for Split, 4 percent for Kardeljevo, 14 percent for Dubrovnik and 7 percent for Bar. These relations can be seen more clearly from the comparison given in Table 3.

Table 3

	In thousands of tons		
<u>Principal Seaports</u>	<u>Actual Cargo Traffic</u>		<u>Index</u>
	<u>1979</u>	<u>1980</u>	<u>1980/79</u>
Koper	2,367	2,536	107
Rijeka	16,419	15,197	93
Sibenik	791	912	115
Split	3,087	2,269	74
Kardeljevo	3,760	3,620	96
Dubrovnik	382	330	86
Bar	1,634	1,514	93

The basic global assessments of this trend in total cargo traffic for the various principal seaports in 1980 can be reduced to the following:

- a) The port of Koper in 1980 achieved a very good leap forward in its traffic, since the growth of total cargo traffic through that seaport resulted from the high growth of transit cargo traffic (all of 64 percent), which was achieved by modernizing the operating technology in that seaport, that is, by mastering and applying the technological procedures of integrated container and ro-ro transport.
- b) The port of Sibenik achieved a high growth of its total traffic (15 percent) as a result of a very high growth in imports of phosphate rock. This seaport is already realizing favorable results from its specialization in this type of cargo, and we can expect it to have still greater success when construction is entirely completed on the modern terminal for transshipment and handling of phosphate.
- c) The decline of traffic through the ports of Rijeka and Split is the consequence of commencement of the successful operation of the Yugoslav oil pipeline. That is, the oil pipeline in the port of Omisalj has taken over a portion of the imported crude petroleum which was transported through these seaports. This has especially affected the port of Split, whose cargo traffic dropped all of 26 percent in 1980 because of its loss of crude petroleum.

d) A certain decline of seaport traffic experienced by the other principal seaports in 1980 was the consequence of trends in our foreign trade.

The distribution of the total cargo traffic among all the Yugoslav seaports is shown for the last 3 years in Table 4.

Table 4

<u>Description</u>	<u>In percentage</u>		
	<u>1978</u>	<u>1979</u>	<u>1980</u>
Total cargo traffic	100.00	100.00	100.00
Breakdown:			
Koper	7.63	7.61	7.47
Rijeka	53.18	52.80	44.77
Sibenik	3.05	2.54	2.69
Split	9.47	9.93	6.68
Kardeljevo	11.72	12.09	10.66
Dubrovnik	0.88	1.23	0.97
Bar	4.62	5.25	4.46
Other seaports	9.45	8.55	22.30

The figures show that the share of the various seaports in this distribution changed in 1980 with respect to their ranking, since the port of Koper moved ahead of Split. This ranking in 1980 was as follows:

1. Rijeka
2. Kardeljevo
3. Koper
4. Split
5. Bar
6. Sibenik
7. Dubrovnik

Table 5 shows total cargo traffic in the various principal seaports over the last 10 years.

The following basic conclusions can be drawn from the overall analysis of the consolidated figures shown in Table 5:

a) All the principal Yugoslav seaports except the port of Dubrovnik achieved a growth of their cargo traffic over the last 10 years, especially the ports of Kardeljevo and Bar, whose traffic has doubled.

As for the port of Koper, which also progressed in that period, cargo traffic cannot be used for a realistic conclusion, since its makeup is very favorable and contains a predominant share of general cargo carried at high rates.

Table 5

In millions of tons

Year	Koper	Rijeka	Sibenik	Split	Kardeljevo	Dubrovnik	Bar
1971	1.9	10.7	0.6	1.8	2.2	0.4	0.8
1972	1.9	9.4	0.7	1.6	2.0	0.3	0.8
1973	1.9	10.5	0.9	2.0	2.5	0.2	0.9
1974	2.0	12.7	0.9	2.5	2.5	0.3	0.9
1975	1.9	12.0	0.9	2.2	2.2	0.2	1.0
1976	2.1	14.0	0.8	2.3	2.9	0.3	1.1
1977	1.9	14.1	0.8	2.5	3.0	0.3	1.1
1978	2.1	14.7	0.8	2.6	3.2	0.2	1.3
1979	2.4	16.4	0.7	3.1	3.8	0.4	1.6
1980	2.5	15.2	0.9	2.3	3.6	0.3	1.5

b) While the ports of Kardeljevo and Bar progressed thanks to new electrified railroad lines linking them in the meantime to the broader hinterland, the port of Dubrovnik stayed stagnant, since in that period of time a narrow-gauge rail line was discontinued, and it completely lost its rail connection with the hinterland. However, it is significant that this seaport did not surrender and that even without the rail line it is achieving the same results as in previous years, which is a reliable evidence of its vitality, which deserves support.

c) The port of Rijeka has been our largest and leading seaport over the entire 10-year period. Its total cargo traffic has always been twice that of the total traffic for all the other seaports. This is also true of traffic in 1980 if we omit petroleum imports.

d) The central Dalmatian ports of Split and Sibenik also have not given up in spite of construction of Kardeljevo and Bar, to which a portion of the previous traffic of these seaports has moved. The result for 1980 is disturbing for the port of Split, since it almost lost its petroleum traffic, while in the case of Sibenik the situation is the reverse, since this seaport is recording a new growth of its traffic and is strengthening its future prospects by specializing in phosphate traffic.

e) In 1980 the port of Koper improved still more the makeup of its traffic and achieved a volume of more than 1 million tons of transit cargo. This seaport is being transformed at an ever faster rate into technologically the most modern seaport in Yugoslavia, which has among other things been facilitated by its very favorable position from the standpoint of transportation geography.

The Yugoslav seaports, especially Koper, Rijeka and Bar, have over the last several years made great efforts and invested sizable financial resources to mitigate and if possible eliminate their lag behind the technologically advanced competitive foreign seaports in use of the modern technology of integrated transport. These three of our seaports already possess container and ro-ro terminals with modern equipment, among which the port of Koper takes first place.

Table 6 shows the volume of container traffic in our seaports over the last 3 years.

Table 6

<u>Description</u>	<u>Grouping as a Whole</u>	<u>Seaport</u>			
		<u>Koper</u>	<u>Rijeka</u>	<u>Kardeljevo</u>	<u>Bar</u>
1978					
Number of containers, converted to 20-ft containers	30,832	19,574	10,895	79	194
Volume of cargo in tons	226,834	142,119	81,905	410	2,400
1979					
Number of containers, converted to 20-ft containers	45,453	31,023	13,975	143	313
Volume of cargo in tons	364,343	239,948	119,995	2,100	2,300
1980					
Number of containers, converted to 20-ft containers	54,565	37,831	15,941	230	563
Volume of cargo in tons	477,945	320,990	150,305	3,050	3,600

The conclusions we can draw from this survey are these:

- a) that container traffic in our seaports has doubled in just 3 years both in the number of containers and in the volume of incoming and outgoing containerized cargo;
- b) that the volume of container traffic in 1980, which was nearly 500,000 tons of cargo, is a very favorable phenomenon if we bear in mind that all our seaports were lagging far behind in application of the modern technology of integrated transport up to 1977;
- c) that the port of Koper, which in 1980 had a share of 68 percent of total traffic of containerized cargo through all our seaports, has made the greatest contribution to this rapid progress in container traffic;
- d) that the ports of Koper and Rijeka are far ahead of the southern ports of Kardeljevo and Bar in the volume of container traffic, which indicates that this traffic is not yet developed in these southern seaports and also is indicative of the prospects of our northern Adriatic seaports in this respect; it is appreciably more favorable because of their favorable position from the standpoint of transportation geography.

We should specifically mention that the port of Koper had a transit container traffic in 1980 amounting to 12,798 containers and 99,000 tons of cargo. The port of Rijeka, whose transit traffic included 2,046 containers and 28,728 tons of containerized cargo, also had a certain share in the transit traffic of containers in 1980.

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CRISIS IN MOTOR VEHICLE INDUSTRY DELINEATED

Belgrade DUGA in Serbo-Croatian No 190, 6 Jun 81 pp 34-35

[Article by Slobodan Anastasijevic]

[Text] Just as most frequently other things from the outside world arrive in Yugoslavia with a delay, so it is with the crisis in the automobile industry, which has gripped the habitat of Ford, Leyland, Volkswagen and Renault. It has recently arrived here in Yugoslavia, and has thundered into the factory yards in Kragujevac, Sarajevo and Koper very powerfully.

The Past

European automobile production experienced a real boom in the first postwar decade which had been suppressed until then by the needs for military machines. If we exclude America, with its untouched industry that even before then was working at full steam and where the transformation to peacetime automobile production did not present a problem, we see in destroyed and desolate Europe that automobile plants began to be born from the ashes. Seemingly overnight small workshops became great factories that, although they produced millions of automobiles, still did not succeed in satisfying the hungry market.

At that time, too, the first Yugoslav automobile producer appeared, making the popular Fica with its two somewhat larger brothers, the Tristaca and the Type 1100 (one of the forgotten but certainly most successful Fiat models, which held up much longer in traffic on poor highways, than it did in production). But while the Volkswagens, Renaults and Fiats, along with other models, were coming off the assembly lines by the millions annually, the Zastava production record grew more slowly, from 10 to 15,000, and then to 20, 30, 50,000....

Along with the Zastava, assembly plants appeared in Sarajevo, Novo Mesto, and Koper, and most recently in Kikinda, not to list all the other places that wanted to grab any little scrap from the laden banquet table.

When the European automobile market and the world market began gradually to stagnate, and while the best sales experts began to tear their hair, because first sales slowed, and then leveled off, and then finally started to fall, Yugoslav auto production (still largely the Fica) still grew ploddingly, while

the buyers simply lay siege to the sales offices and looked for some sort of "connection" in all directions.

While it remained more than modest in comparison to demand, domestic production was nevertheless well protected by high import duties. That situation coddled the producers and their representatives. Probably nowhere else (except in Eastern European countries) did automobile expeditors appear who, naturally for lots of money, could shorten the waiting period through their connections. Meanwhile, at the sales centers people behaved as though they were distributing an inheritance to orphans, not as though they were selling goods from which they made their living. Buyers often were met with such words as "Well, wait a minute, where do you think you're headed?" "What is this, you think you should get to choose the color as well?" "You have been waiting a year? Well, wait. I waited for you quite a bit too, if you don't want it, kiss off and leave it." "It isn't technically correct, you say? If you don't want it, just say so, I have someone who does. Take it and get it corrected later." And the buyers, smaller than poppy seeds, agreed to postponed delivery, and to price increases, and to car colors that they didn't like; without a mutter they took cars that even after repair service were found to have dangerous flaws. They took it all in stride, to be able to rattle their keys as soon as they could, and then to forget all the unpleasantness and humiliation.

That was the time, 10 years ago, when the then director of the Zastava factory could call all his buyers speculators! To the question as to why he slowed deliveries nearly to a stop just before a price increase, he was able "wittily" to note: "Well, the buyers are speculating too, they are buying cars because they know that they will be even more expensive tomorrow!" He could say that with complete calm and remain alive, for that is the way it was in times past.

The Present

In recent years we have read quite a lot about the strict limitation of imports of small engine European automobiles into the United States, about strikes in Britain and at the Fiat factories, about declines in car sales throughout the world because of reductions in the work week, about increasing demand for smaller cars and ever less for larger ones.... We observed all that, if not with malice, then with indifference. Those were their problems!

In the meantime, Zastava surpassed the dream level production of 100,000 automobiles per year, for here in Yugoslavia things were still moving forward, and how! The caricaturists drew us as people with wheels instead of legs, with an instrument panel instead of a brain, and they predicted a dark future for us, as we dragged ourselves into the dog houses while our cars spent the night in a luxurious garage.

That was the caricaturists. The producers, meanwhile, had a different view. Until very recently the factory at Novo Mesto did not consider that it was playing with its reputation or morale by violating both the law and good manners by leaving buyers to wait up to 2 years, with the factory requiring further prepayments while it was exporting automobiles abroad at the expense of the domestic market. Of course, Novo Mesto overdid it with its high-handed attitude toward

its customers, but then other producers did not really behave any differently either. At the same time, administrative agencies introduced ever higher duties and stricter restrictions (increases in all kinds of taxes, parking restrictions, and the "even-odd" law). Of course, at the time when world automobile producers were already suffering to maintain their sales, a representative of the Belgrade transportation authority permitted himself the totally open declaration that he intended to introduce a traffic system that would make driving unpleasant for the drivers and squelch their desire to drive their cars into the center of the city.

We can attest that his intention was fulfilled.

Thanks at least for the honesty!

And then the crisis reached us in Yugoslavia. While we were reading about whether the Japanese themselves would limit exports of their small-engine cars to America, or whether the American administration would force them to do so, while we were reading of individual factory closings, about the fall in automobile stock prices on the world market, as if all of this was happening on another planet. The crisis did not modestly knock at our door, but rather it crashed the gates of our automobile industry.

Sales fell off suddenly, practically all at once. Many formerly sought-after models are being sold with almost no waiting period. For the first time, a license factory, the Cimos plant at Koper, was closed. That means there will be no more Spaceks, Amis or Diana cars. Temporary production cutbacks are also taking place here in Yugoslavia, while unsold automobiles are piling up, and the buyers today are met in a much different, one would freely say more courteous fashion.

But it is late and in vain to curry the buyers now. Not only are cars being bought in fewer numbers, they are also being driven less. Gasoline sales have dropped noticeably, and this is the surest measure for determining how much Yugoslavs are driving. And that decrease cannot be attributed casually to that initial shock after every price increase. There are many reasons for the fear that in the future, we will drive shorter distances and less often.

Well what of it, someone will say, at least we will save valuable resources. That is correct, but on the other hand, we will lose incomparably more. In order to warm himself, a man need not cut off the branch he is sitting on. And automobilism here is just such a branch, and one of the thickest. Have we begun to feel that? The days of the future will show.

The Future

Yet certainly something can be foreseen, hopefully with fewer mistakes than 10 years ago, when we prophesied for ourselves the frightful picture of choked streets and cities, when the only solution seemed to be an enormous expansion of the highway system. We reckoned that we would have to learn how to walk on car roofs, instead of sidewalks. Who could see an end to that unheard of increase in the number of automobiles, which in 20 years increased twenty-fold.

But lo, that growth has been stopped completely unexpectedly, in a manner that no one foresaw. One reason, but only one, is the same as throughout the world. But we also have our own traditional domestic characteristics.

"Automobilization," the number of cars per capita here in Yugoslavia has reached the level of moderately developed countries. That means that there are still potential buyers. But old Henry, the founder of the Ford dynasty, already recognized when he introduced the first assembly line that increased and accelerated production would do him no good without sufficient good roads. Therefore, he bought roadbuilding stocks in huge numbers.

Here in Yugoslavia, the roads as well as the market are saturated with automobiles. On the most important routes, we have roads capable of handling only an extremely low traffic flow. The Bratstvo-Jedinstvo (Brotherhood and Unity) highway from Jesenica in Slovenia to Djevdjelija on the Greek border resembles an express highway for only a small part of its length; for most of the way it is not even a first class highway. There is the Adriatic main route, narrow and full of curves, and then the Subotica-Belgrade and Nis-Pirot roads, totaling about 3,000 kilometers of (generally bad) roads, which during the 3 summer months are supposed to carry millions and millions of cars of all types, domestic and foreign, including transit travel.

If the number of foreign cars on our highways declines this summer, the reasons will be clear: Many will prefer to choose a different route, through Italy, Hungary or Romania, avoiding Yugoslavia, where they are faced by dangerously damaged roadways, long delays, endless lines of cars, and frequent tragic accidents....

That is how it is on the highways; it is even worse in the cities.

While the number of cars and the population of the cities has multiplied many times, the road space has remained essentially the same. Skyscrapers and mammoth blocks of buildings have been constructed in narrow streets without parking space, although such buildings require broad boulevards and much open space surrounding them. Entire new settlements have been built, relatively far from the cities, but the main streets in those settlements are so narrow that 2 trolleybuses cannot pass easily on them. Then the cries of the non-motorized residents are in vain when they ask to have public transportation lines extended to their new settlements.

Someone got the idea of building the elaborate Beogradjanka building, with a large department store inside, but without a single parking space in front.

An exceptionally striking error in that regard (unfortunately, in certain other regards as well) is found in the western approach to Belgrade. In one enormous 30 story building there are nearly 200 families, most of whom earn enough to buy automobiles, while in another nearby commercial building, there are more than 1,000 employees. For those 2 buildings, a very conservative estimate would call for about 1,000 parking places. Yet the plans called for, and the final number constructed, was only 50!

Under such circumstances, the person who has a car suffers torment trying to figure where he can put it, and the person who does not, seeing the torment of his neighbor, has an increasingly difficult time deciding to buy one himself.

"For days, even weeks, I do not move my car," said one resident of the notorious Belgrade "blue zone," adding, "If I drive somewhere for a visit, or to see someone off, or meet someone at the station, I will have a difficult time finding a parking place there for even 10 minutes. Then when I return, I know for certain that I will not find a place to park anywhere in the area, let alone on my own street."

The situation, however, is similar if not worse in other Yugoslav cities. Try, let us say, to find a parking place in Dubrovnik, Rijeka, or Split... When they arrived in Cacak, one wife enthusiastically stopped her husband: "Why should we go to the ocean for our vacation, look at the parking place we have found right here!"

That is also one of the Yugoslav, domestic reasons for car ownership stagnation.

The time has come to pay for the old mistakes. Those mistakes were made by the automobile industry, but also by those around and related to it. Naturally, the producers will be the first to pay their share, and perhaps someone will maliciously think, "What of it, that is what they deserve!"

But take it easy, the turn for others is coming as well. The number of car sales has declined, and the number of kilometers driven has gone down, leading chiefly to woe for the producers. But if less gasoline is sold, that means less money for roads, and for the state treasury, and for services. There will be less business at innkeeping establishments and resorts, less income for many other people who do not live directly from the automobile industry. Their reduced buying power will affect the reduced strength of the producers, which again will indirectly influence those others, and thus a vicious circle develops.

If the purchase price of an automobile is spread over 5 years, and to that we add annual registration fees, insurance, fuel costs, service, maintenance parts and other expenses, depending on the type of automobile we reach a figure of 70,000 to 100,000 dinars. That is what an automobile costs its owner each year, and that is also a typical annual income. If there are fewer automobiles, there will be less business and fewer employed!

The consequences, at least for now, cannot be anticipated. We can only hope that this woe will pass, as the sun comes out after the rain. We can also hope that after all of this, we will retain some of the lessons it offers, and that the producers and we the consumers in the future will behave in more responsible ways not only toward one another, but also together toward the automobile, toward that machines that has left its mark on an entire century.

And until those better times, we shall ponder, not which automobile, but should there be an automobile at all.

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